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# Merchandising Research for Retail Stores

WILLIAM J. PILAT

*President, Russell W. Allen Co., Inc.*

Research is to merchandising what research is to medicine. Without it you are just guessing. With the law of averages assuring you that you will guess right in a given number of cases, you can get by. Add to that what you learn from the results of your guessing, and you may make a very good showing. *But you have to learn* somehow, through experience or research, if you want to be a successful merchant. You cannot be lucky forever.

A patient who goes to a doctor to find out what is wrong with him—or for his semiannual checkup—knows he is in professional hands. He knows that the doctor has not only his own experience to help him in diagnosing, but also the results of countless hours of research in laboratories all over the world. He always has a research department working for him.

Suppose a man has a terrific headache and, instead of going to a doctor, he takes aspirin and the pain subsides. He does not know what caused it or how to prevent its return. He does not really know why it went away. So the next time he has a headache, he still does not know the cause and without knowing the cause he cannot know the cure. And painkillers do not always work.

*The same thing applies to retailing.* Suppose a merchandise man has a sick department. Its selling cost and rent are up, its sales are down, and it looks bad. So he tells the buyer to give it a "shot in the arm" by staging a terrific sale, getting in special goods, marking down regular items, and letting some salespeople go. He gives the department a coat of paint and rearranges the merchandise. For the duration of the sale the department looks good—then back to the old headaches with a few added. For now the lowered markup on the specials and the markdowns have taken their toll. Customers are annoyed at the service with fewer salespeople (and the department has more shortages from unprotected aisles). The paint is pretty but the new arrangement seems to have been done by a student of Dali, with things being where they are for apparently no reason.

Here is his patient, worse than ever. And the Big Sale as a panacea is obviously not the right answer. Giving enough of that variety of aspirin would probably finish off the department. It is



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about now that the merchandise manager starts looking around for another bright young fellow, with a reputation for success, to take the place of the harrassed buyer. It is very likely that the new man will: rearrange the merchandise, suggest redecorating, mark down his predecessor's stock, and stage a Big Sale. He may be lucky, but it is more likely that he has just stepped aboard the merry-go-round.

*Until someone digs out the underlying cause of its trouble, the department will always be ailing.* But that means having a doctor in the house or calling one in. And how do you find the cause? The same way the doctor does. Run tests, check the daily routine, get an exhaustive case history listing as closely as possible all contributing factors, make comparisons to what have been set up as normal standards. Experiment and watch the reaction. Above all, make sure that you are interpreting your facts correctly and that you are getting the most out of them. It is very easy for a researcher to work so hard over the jigsaw that he fails to see the easy pieces that fit together so nicely, right by his hand.

A successful analyst not only studies the weak spots and the points on which the department has failed; he must also study its successes and other stores' successes. This gives him an insight into what may be expected in sales and turnover, whether certain characteristics are a trend in the whole trade or typical only of the one department, whether the stock is adequate, and whether display and layout are functional as well as appealing. Keeping up with the Joneses may be bad personsonally, but it is mandatory in merchandising.

The answers are more likely to be obvious than mysterious. Sometimes the research results seem so obvious no one could blame the merchant for feeling that we are telling him things he knows, and the findings could not make any difference to his work. But they do. We have proved it repeatedly. (We are talking about peacetimes, or what presently passes for the same. Of course, in wartime you do not have to know anything to be a merchandising genius. As we all know, you just have to have the stuff—any old stuff—be able to count on your fingers, and wrap packages if there is any paper.)

*Certainly stores need qualified research people,* and yet very few stores have them. The vast majority of our large and small stores have no properly qualified doctor to call upon when any of their departments need a checkup. A few—just a handful—of our most progressive stores and chains have authentic research departments capable of making thorough studies in a scientific manner. Practically all stores leave the patient to make his own diagnosis handicapped by lack of facts, lack of time, and lack of training. That this is true is clearly recognized by the trade. For instance, in the 1947 Yearbook of the Controllers Congress, under the heading "Improvements in Methods to Effect Lower Distribution Costs," the National Retail Dry Goods Association said:

> Research is not yet born to retailing although there are hopeful signs on the horizon. Industrial concerns spend from 1% to 5% of sales on research in new methods, products, and markets. As a trade, benefits may be derived from cooperative efforts to find improved methods for all phases of retailing. Reduction in stock shortages, cash shortages, salescheck errors, buying methods,

and inventory policies are immediate problems for investigation. The development of production standards for non-selling departments, mechanization of office operations, and incentive compensation are fields for active inquiry. The fact-finding approach can maximize profits.

*Why is "research not yet born to retailing"?* There are many reasons. The most important is that most stores have no real conviction that research will help them or help them sufficiently to justify its cost. If it is a merchandising problem, they are likely to reason that they have a buyer and merchandise people for that purpose. If it is a non-selling problem, they are likely to reason that they have operating people for that. It is not generally recognized by retailers that their regular staff people have day-in and day-out routine responsibilities that prevent them from taking time off to study their problems in any orderly or scientific manner. In addition, they do not have the training or aptitude for research. There are exceptions to this but they are rare. Then, too, there are stores that have made some false starts in the name of research and have either abandoned the idea entirely or are still struggling along with an inadequate effort. There are five principal reasons why this happens:

1. The research activity may be started with temporary enthusiasm but without:

*a)* Any clear-cut statement of the types of research to be done

*b)* Any real understanding of the type of people whose experience and aptitudes will make a go of it

*c)* Adequate compensation for the research staff

*d)* A proper organization within the store to permit the work to be done and get the results installed

2. Even when a store makes a good beginning, the individuals engaged in this work may soon find that, to succeed, they must prove quickly the value of the work and justify the expense. This means the research people must look for "bread-and-butter" jobs or tasks that they can complete quickly and measure results. Longer range work that may be much more significant is a luxury. But the "quickie" jobs too often pit a minor executive against a major executive, or an expert against a novice. Even if the work is good, it may be delayed or killed because it cannot be sold. And if it is obviously bad—as some of these quick efforts usually are—it earns for the research people the label of "academic," "unrealistic," "impractical."

3. Many of the smarter young men and women who start out as researchers all too often realize that direct operating or merchandising jobs are more appreciated and will pay better.

4. Too few research people possess the ability to sell as well as the ability to analyze. The best ideas are no good if they cannot be sold; an improved method or system is no good until it is installed and maintained. This means that the people doing this work should be able to:

*a)* State the problems properly

*b)* Analyze present practice scientifically, using process charts, possibility charts, route charts, time study, customer observations, analysis of records, etc.—as required by the nature of the task

*c)* Develop the advantages and disadvantages of alternative practices and

present the facts to top management, soundly and fairly, in order to save their time and enable them to make their decisions accordingly

*d)* Experiment with or test the alternatives and prove the results

*e)* Install the new system, method, or practice

*f)* Follow-up, to see that standards of practice are maintained and that the objectives are being achieved

5. The research organization is seldom planned to bring the proper skills and experience to bear on the problems tackled. All too often, the research people themselves fail to grasp the fact that they do not know everything. When they get an assignment beyond their skills or experience, they plunge ahead anyway out of some cockeyed conviction that the word "research" is magic, and that as a researcher they must know or be able to find the answers to anything. A man may be a top statistician, but the problem may concern advertising, stock assortment, layout, display, delivery, control, etc. Specialized skills are often needed. However, the research staff may not include anyone with either the right attitude or the right training. Nevertheless, the problem is tackled. The results are often sad, and the idea of research suffers a loss on every mistake.

*What are the characteristics of successful research efforts?* Let us examine what a store would need in order to have its own "Mayo Clinic," capable of doing effective research jobs for both selling and nonselling departments. The principal characteristics of successful research efforts are:

1. A properly qualified staff working under really skilled direction and adequately compensated to keep it on the job, growing with the store and improving in experience and effectiveness. If a one-man staff, he should only tackle problems that are within the scope of his training and experience or enlist the co-operation in or out of the store of people who can supply the required skills or experience. The director should be thoroughly trained in research techniques, able to see the problems clearly, guide others in the analytical work, help organize the findings, and sell all the interested people in the store on the corrective measures that should be taken. He or she must be adequately compensated, have authority without the actual power of command, the respect of merchandising and operating executives, and a sufficiently diversified staff to bring the proper skills to bear on all the many and varied problems that will arise. There is nothing that will kill research more rapidly than an inadequate staff trying to justify its existence on a "Right or wrong, we think fast" basis.

2. A place in the store organization that gives the research department a real chance to work without bitterness or jealousy or fear, but rather with sympathy and co-operation. Also one that gives the research department a fair chance to prove its recommendations. Nothing destroys initiative more than the consciousness or conviction of having done a swell job and seeing the work wasted. If the recommendations are not adopted, the reasons should be expressed clearly.

3. Definite scheduling of research tasks.

4. An attitude that never gives the impression that research people are

brain trusters, but rather that their job is simply one of concentrated study and analysis of problems that others just have not the time to study the same way. They have to be a "helping department," not a "criticizing or belittling department." They should work out better methods *with* the operating people who have to make them work, not ignore them. If there is a real disagreement, the possibility of a clash must be avoided at all costs. That is a job for top-management discretion and friendly arbitration. But the strong research people will seldom let a problem get to a stage of violent disagreement.

*What about sales research?* Even stores that do have research departments usually concentrate on the study of nonselling functions. They seldom have either the stature or the acceptance to enable them to make significant studies of merchandising problems. While a research department may be sweating out a savings of a few hundred dollars to a thousand dollars in envelopes, paper, and twine, many thousands of dollars may be lost in preventable markdowns or as a result of lost sales. Few, indeed, are the research people who dare tackle the many problems of a selling department. First, in most stores the research department is not expected to touch sales problems. It is so much easier in a nonselling problem to prove in dollars and cents that you have saved so much in time and materials. Second, if the research person starts on a sales problem he may have to step on some proud merchandiser's toes. In most cases, he is lucky if his advice is just ignored. The reaction is more likely to run the gamut from resistance to a declaration of war. Of course this is a mistake, but the way stores are presently organized and human nature being what it is, most merchandise people would consider most sales research as criticism and a threat to their jobs. But let us say here, and emphatically, many researchers have earned their reputations as impractical theorists and time-wasters. A buyer who has ever been exposed to a know-it-all, who obviously does not, will be forever suspect of the breed.

Yet, real sales research can be very productive. For instance, here is what Harold W. Brightman, president of Lit Brothers, Philadelphia, had to say on this subject when he talked to the Sales Executive Club in New York in June 1947:

> Sales research has virtually no limits. It has infinite possibilities and it should be carried on consistently and persistently by manufacturers and retailers alike. In its many forms and variants it can reveal factors that have not even been suspected.
>
> One of the most important of these sales aids, being currently offered by several nationally famous manufacturers is cooperation in sales research. . . . .

He then went on to describe how, through co-operative sales research in many different stores conducted by the Russell W. Allen Co., Inc.,

> *(Cluett, Peabody & Co., Inc.)* had developed sound methods for helping their dealers plan their sales and stocks in line with the current sales possibilities of each men's furnishings item, decide on the right location, space, and type of fixtures to fit different service, stock, and display requirements, and develop maximum sales.
>
> *(The Formfit Co., Inc.)* through the Formfit Institute helps thousands of their dealers with continuing research on subjects like the profit opportunity, sales potential, plus selling opportunities, reduction of returns, importance of fitting rooms, sales training, and the special location, layout, and display re-

quirements of different kinds of corset items.

*(The Simmons Co., Inc.)* had dramatically established the power of a nationally advertised brand when, by a controlled test, the mattress with the Simmons label outsold identical ones under a different name 15 to 1; that in general many stores were unwittingly underselling their customers and that a sale of a $39.50 mattress (before the war) was four times as profitable as a sale of a $19.95 mattress; that just about half of the mattresses and springs are bought by bed customers yet most stores widely separate bedroom-furniture sections from bedding; that the bedding business compared to all furniture, plus bedding, generally produces 50 per cent of all the profit, 25 per cent of the sales with 15 per cent of the inventory and 10 per cent of the space; that only three out of every ten mattress-replacement customers bought springs at the same time; that when stores make efforts to do so they can sell a lot more springs.

*(The Bernhard Ulmann Co.)* makers of Bear Brand and Fleischer Yarns developed the well-known Ulmann Plan for increasing sales and profits of art-needlework departments; how sales research proved that at least two thirds of the yarn customers knew what they wanted so they could make their own selection; that the basic problem was to reduce occupancy and selling expense and that open selling is the guiding principle; and how new-type fixtures could accomplish these objectives.

*(The B. Blumenthal Co.)* makers of La Mode Buttons developed a complete plan of how to display, stock, and control buttons for maximum sales and profits. Dozens of stores who have followed this plan proved that it works.

In closing, Mr. Brightman said:

. . . . business men who are charged with the responsibility of selling are beginning once again to come into their own. They can now demonstrate their ability again. The lush days are over. Order-taking is a thing of the past, except in a few still scarce lines. From now on we all must sell the billions of dollars' worth of the goods our productive machine will put into the channels of distribution.

And we will need all the help we can get to do this job. More and more we will need to rely on the aids which sales research can give us to help speed the movement of merchandise from the manufacturer to the consumer; to make our advertising more effective; our selling more efficient; keep our operating costs down, and our prices lower to the consuming public.

*How can stores get the benefits of research?* Research can either be applied within the store as a regular staff function or from the outside by qualified people. But only the larger store can afford to have a proper staff and many of these do not think they can afford it. So, unable to do the job right, most stores large and small do not do it at all. If a store cannot afford—or thinks it cannot afford—a proper full-time research staff, it can and should get some of the benefits of professional research from outside sources. Even stores with large research staffs can and do retain outside specialists to supplement their own efforts. The use of outside professional services is thoroughly justifiable in the following circumstances:

1. For all stores that have no research staff of their own

2. For all stores with research staffs—whenever they need extra help because either their own staffs are busy on other tasks or the assignment is in a field in which they do not have proper experience

3. Whenever the experience of one store, and any others affiliated with it, is insufficient to provide a proper picture of the results obtained by using different methods.

This last point is of great importance. If the research in any one store is limited to its own experience, it is very

limited indeed. Any qualified research person knows that an adequate sample is essential before correct conclusions can be drawn. You cannot get an adequate sample from one store's experience, especially if that store is sick. The real doctor not only knows how to interpret symptoms but also knows the case histories of many other patients with similar symptoms. That is why many of our big chains and some of our larger associations of department stores conduct centralized research whereby the case histories of many stores are studied to develop better methods. That is why farsighted manufacturers retain outside professional services to make multiple-store studies of their dealers' sales and profit problems and opportunities.

Retailing has gained weight in the last five years. Sales have generally doubled and tripled. Scarcities have reduced stocks and markdowns. Profits have been fabulous. Everything looks rosy—but the rosy tint is fading as competition returns. Does all that fat indicate health? Or is the patient badly in need of a checkup? If the latter, it will be smart to go see a doctor—the best he can get. And remember, it is usually the minor ailments that can be cured overnight; the major matters take time to cure.

Is there a doctor in the house?

# Getting Along with the Boss

LAWRENCE C. LOCKLEY

*Professor of Retailing, New York University*

While corporations spend many thousands of dollars each year in personnel research to determine suitable policies for supervising workers, it is usually groups of more or less routine workers who may benefit from any constructive steps that can be developed from such research. The problem of the skilled white-collar worker, often with some supervisory responsibility, is still an individual problem. Relationship between worker and supervisor is too individual and personal to allow generalization or to be governed by more than the most general of company policies.

And yet the individual white-collar worker, who has already shown enough ability and usefulness to have been promoted out of the ranks, is dependent for further promotion upon the judgment or the whim or the necessities of a supervisor. In most cases, the work he does is so much a part of an organization-team output that it cannot be judged objectively, as the result of his own efforts alone. Moreover, he usually contributes to the joint team effort in such a way that the ultimate result is credited to someone on a higher organizational level. His only way to further promotion, therefore, is through the good will and favorable attitude of his immediate superior. Fortunately, it is usually possible to develop this advantageous reaction on the part of an organizational superior by considering the business relationship from his point of view.

In most cases, an executive will have won his promotion against the competition of a number of other men who had hoped they would be selected. Like the skilled or semisupervisory worker who depends upon his favor for advancement, he can rarely point to specific and objective achievements as a basis for appraising his work. Moreover, he is usually ambitious, and would like to rise still further in the company. But by the very nature of his basis of selection, and the uncertain basis of appraisal of his own competency, he is bound to feel a constant sense of insecurity. He may attempt to cover this feeling by a blustery manner, or he may more realistically attempt to solidify himself by knitting his subordinates into a close team with him. He is not even afforded the comfort of knowing that he will stand or fall on the basis of his own abilities, because almost always he must operate within the framework of company policies which circumscribe his own initiative.

Psychologically, an executive in such an emotional environment needs reassurance more than anything else. He needs to feel that the job is going well. He needs to feel that his co-workers and subordinates are loyal to him and to their job. He needs to feel a sense of solidarity with them. And he needs to feel that it is his administrative touch that has brought about this desirable combination of circumstances. If he is a dominant, self-reliant, and possibly brutal personality, he may ride rough-

shod over his subordinates. But otherwise he must be supported and "comforted" by them.

If this analysis is correct, it must be admitted that the junior executive who attempts to win promotion by a constant display of blunt opposition, by appearing always to be in the right, and by assuming an "I-told-you-so" attitude will rarely have the good will of his supervisor. Promotion may come, but it will be slow and reluctantly given, often after delays.

On the other hand, the subordinate who is quick to sense the point of view and direction of the executive, and to work with him, wholeheartedly, and to call attention to the times he has been right, or to the skill with which he solved problems, will develop a feeling of pleasure on the part of the executive which invariably works to the advantage of the subordinate.

This does not mean that the subordinate should become a bootlicker. Nor does it mean that the subordinate can safely scamp doing his proper work while polishing the apple. But it does mean that the arts which constitute the basis of selling merchandise are also the basis for winning promotion.

There is an old story of an Oriental despot who asked his First Seer to interpret a dream. Said the Seer, "Oh King, that is bad. It means that your wife will die, that your sons will die, that your nephews, and all your relatives will die, and you will live to be a lonely old man." The First Seer forthwith lost his head. The Assistant Seer was asked to interpret the dream. Said he, "Oh King, that is a joyful dream. It means that you are going to have a glorious and miraculously long life. You will live beyond the years even of your youngest relative. You are, my Lord, to be congratulated."

The moral is obvious. Both interpretations said the same thing, but with vastly different results to the necks of the two Seers. The worker who wants to make the right impression on his supervisor, who wants to win his promotion, should remember the Assistant Seer, and deal with the man over him in a way to make that man feel pleased. He should remember that his promotion will depend not only upon a sound execution of his duties, but also upon the good will of his superior. And that good will can be won, but not forced.

*December 1948*

# Merchant or Speculator

PHIL HARRIS

*President, S. Klein on the Square, Inc., New York City*
(as told to T. Dart Ellsworth)

*Essence of retailing.* The essence of profitable retailing is speed. This is especially true in the ready-to-wear field and is the basis of operation for our store. It is our purpose to buy merchandise to sell, not to hold for a rise in prices. We are merchants, not speculators. We try continually to remember that purpose, for each time we forget it, even momentarily, we lose money. Over the long years that I have been associated with retailing, I have observed other merchants experiencing the same undesirable results through forgetfulness on their parts of their primary purpose.

*No secret method.* Our store has devised no secret ways of merchandising ready-to-wear. They are the same methods used by other retail organizations. We have merely adapted them to meet the specific needs of our store. I have discussed our adaptations before the National Retail Dry Goods Association and other retailers' meetings. Those of you who have heard me on these occasions may find nothing new in this article. It is a restatement of our plan for making unit control a useful tool of the buyer.

*Which to buy.* When a merchant is in the market buying merchandise, one question with which he is always faced is "which shall I buy?" Again, the same merchant at the end of each day's selling should ask himself, "What should I have had in stock today to have sold more?" The good merchant will not attempt to answer these questions on guesswork alone. He will want facts on which to base his planning and buying decisions. And unit control provides him with such a basis. This fact was impressed on me as early as 1929 when I was associated with the operation of a chain of ready-to-wear stores and needed answers to the same questions. Unit control served my purposes then; it is serving the needs of our store today.

*A merchant's basic problem.* We operate a ready-to-wear store with no salespeople—solely with supervisory, stock, and cashier personnel. But our basic problem—to find out as expeditiously and as accurately as possible the merchandise needs and wants of our customers—is the same as that in your store. Your buyers, though, have a distinct advantage in that they can go to their salespeople and obtain, at least, a partial picture of the required information. We had to seek another method that would supply us with complete information and we found it. As I emphasized before, it is nothing startlingly new—it is unit control. But the manner in which we have adapted it to our needs may prove new or novel. You, too, can adapt unit control to your specific needs.

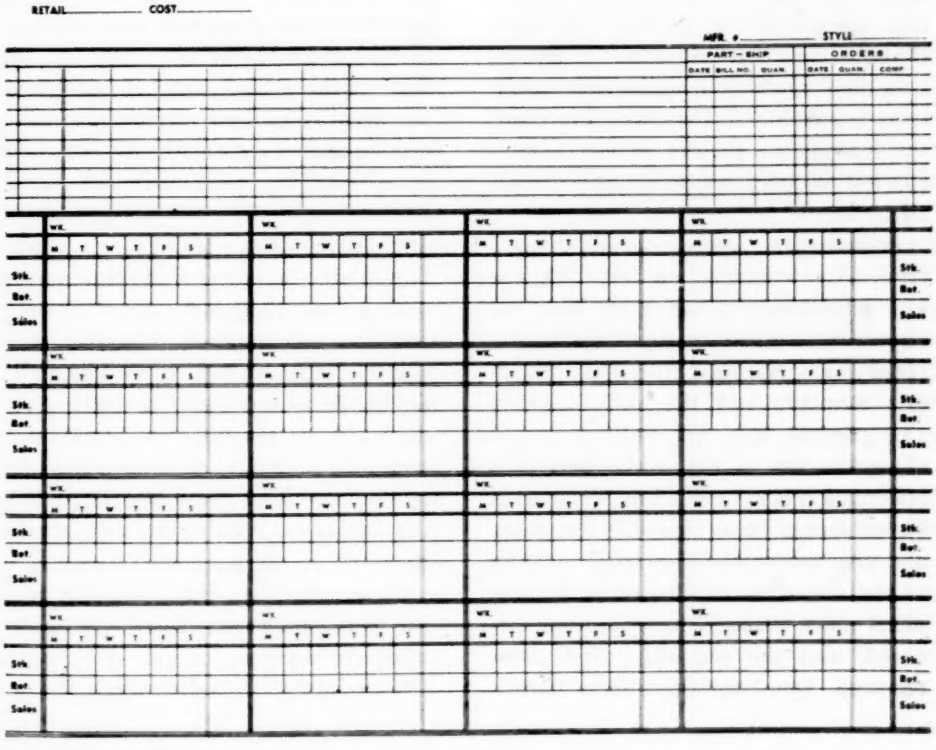
*Combine unit control and merchandise inspection.* We use a decentralized rather than a centralized unit-control system. To our way of thinking, the latter type of operation removes the

records too far from the merchandise. It is our purpose to combine unit control and merchandise inspection. This simply means that the buyer maintains a sample line of merchandise and the unit-control records in the same place. We believe that the important thing is not the existence of a unit control, but its interpretation. Our type of operation has been planned with that thought uppermost in our minds. It is our idea to make the unit control and the story it has to tell about actual pieces of merchandise as much a part of our buyer's daily thinking and work as it is possible to do. The buyer will only learn to interpret the story of unit control through living with it.

*Operation of our unit control.* Here is a brief description of our plan in operation:

*Prepare merchandise plan.* At the beginning of a period or season each of our buyers prepares a merchandise plan—a picture of the merchandise units he plans to have in his stock. This plan varies for different kinds of merchandise. For example, in better dresses the plan may permit initial purchases up to forty per cent of the season's sales. In other types of merchandise, though, it may provide only sufficient units for five days' operation. The basic idea is never to work further ahead than is absolutely necessary.

*Buy to plan.* After the merchandise plan has been made and approved, the buyer goes into the market. He buys according to his plan, changing it only when the situation warrants change. When the merchandise, purchased and delivered, is put into stock, unit control



enters the picture through the medium of filling out the card shown below.

*Buyer's staff.* The procedure is relatively simple and is accomplished by the buyer, the assistant buyer, or the merchandise clerical. By the way, I forgot to mention earlier that all of our merchandise clericals are people possessing buyer qualifications, people whom we are constantly training for the next higher jobs. And our insistence on each of these people having a thorough working knowledge of unit control and its interpretation constitutes no small part of the essential training we provide them.

*Unit-control card — simple — flexible.* Let us look briefly at the unit-control card used by our store. The same form is used in all departments for all types of merchandise. Note its simplicity and flexibility. Remember that we use it for all kinds of merchandise and that we want the buyers and their immediate assistants to use it as a merchandise record. Those are the reasons we require such a limited amount of predetermined information about items.

*Information required on unit-control card.* For instance, we feel that the key information about each item the buyers need at their fingertips is the retail price, the cost, the manufacturer's number, and the style number (assigned by us). We indicate spaces along the top of the card where this information is to be filled in. Then, each buyer should have available for quick and easy reference information relating to the dates on which orders for the items were placed, the quantities ordered, and the quantities and dates received. Space for these facts is provided near the upper right-hand corner of the card in the form of two small blocks of squares indicating the specific information to be filled in. Next, we want our buyers to have a daily picture of each item in stock—the number of units on hand, the number of units returned by customers, and the number of units sold. Space for this information covering a period of sixteen weeks is provided in the form of sixteen boxes arranged to permit the easy maintenance of these facts. Finally, our experience has shown us that many buyers like to keep data, such as size and color, over and above what we require. That is the purpose of the box of unlabeled squares near the upper left-hand corner.

*Buyers buy—not sales manage.* From this point on, let us use a specific item of merchandise—a dress. Let us assume that the dress has been received at the store, inspected, marked, and sent to the selling floor. A sample of the dress is in the buyer's office and a unit-control card, such as we have described, has been made out for it. Remember, we have no salespeople and our buyers are not sales managers. While they do spend some time on the selling floor, their main job is to select and buy merchandise. And they need specific facts on which to base their buying decisions. Using the case of this dress, let us see how the dress buyer uses unit control to obtain the facts she needs on which to base her future buying decisions relating to this specific item.

*Sales analysis.* Each evening after the store's doors are closed, we make a complete analysis of the day's sales. This is accomplished through the use

of an I.B.M. (International Business Machine) installation. We frequently operate this equipment as many as twenty-four hours a day. This enables us not only to obtain a fair return on the rental we pay for it but also provides us with much more timely information than we could otherwise obtain. And, if you will recall, our merchandising policy is based on the premise that "the essence of profitable retailing is speed."

*Sales-analysis report to buyer.* Now then, as a result of our policy and through the use of the I.B.M., the dress buyer will find on her desk the following morning at 8:30 o'clock, as will all other buyers in our store, a complete analysis of the previous day's sales for her department. This analysis lists each item sold and complete identifying information. It then becomes the buyer's immediate task either to transfer personally, or to have her assistants transfer, this information to the unit-control cards.

*Picture of unit-sales trends.* Let us assume that the first day's sales for the dress in question, as shown by the weekly sales record on the unit-control card, indicates nine units. The successive day's sales for the dress are three, two, and three units. The buyer in checking over this particular card, notices this drop and asks herself the question "Why?" It is at this point that her ability as a buyer and her ability to determine and interpret available facts come into play.

*When further analysis of unit sales is necessary.* In the instance of this dress, let us further assume that it was bought in three colors—black, blue, and brown—and in four sizes—ten, twelve, fourteen, and sixteen. The number of units of the dress purchased in each of these subclassifications was not shown originally on the unit-control card. But space has been provided for such data in the form of the unlabeled block of squares in the upper left-hand corner and the buyer now puts it to use.

*Using card for further analysis.* Along the left-hand margin, the dress colors—black, blue, and brown—are entered and the dress sizes—ten, twelve, fourteen, and sixteen—are entered along the top margin of the unlabeled block of squares. The number of units originally purchased in each of these subclassifications is filled in next. The buyer then refers back to the daily sales-analysis reports and analyzes the sales of this particular dress according to these additional breakdowns of color and size.

*Interpretation.* Let us assume the new breakdowns indicate that the dress has sold well in all sizes in black, and that it has not sold in blue and brown in the sizes of ten and twelve but that a few units in these colors in sizes fourteen and sixteen have been sold. With this additional information available, the buyer has sufficient data on which to base her future buying decisions for this dress. It enables her to interpret the story told by the unit-control card correctly. This is what we mean by interpretation.

*Saving time.* The question might be asked, "Why didn't the buyer make the color and size breakdown originally?" Again, it is a matter of time. There are frequent instances where such breakdowns are not necessary. In the instances where further and more de-

tailed breakdowns are required, it is up to the buyer to discover the need in time and take the necessary action. This saving in time means money saved. It involves initiative on the part of the individual buyer, which represents the difference between a buyer and a clerical and the amount of money we pay each.

*Representative of store's type of operation.* The story of the dress, then, becomes our story of unit control. As I stated previously, it is neither secret nor complicated. It is representative of our type of operation and reflects the basic thinking of our organization. It involves the careful selection, training, and supervision of personnel. And by training and supervision we do not mean the establishment of large specialized training and supervisory sections. Both are line functions and must be accomplished by line executives.

*Buyers representative of store.* For example, although our personnel policy is to promote from within our ranks, it is often necessary to employ buying and merchandising executives from the outside. In the latter instance, I spend many hours training these new people. The training consists of having the individual come into my office. He is put at ease and I spend as much time as is necessary to inculcate each with our philosophy of business—our policies and our way of doing things. The new executive must have this knowledge if he is to be representative of us.

*Personnel must reflect store's personality.* There is no person more suitable to explain a firm's philosophy and business practices than its president. He is the leader and it is his talent as a merchant that determines the type of organization and systems of procedure he should install. In selecting his personnel, he attempts to select those possessing certain preconceived qualifications, many of which are of a very personal nature, to fit into his organization. If the merchant is a good executive, he will delegate both responsibility and authority to those whom he places in charge of the major activities of his organization and, further, will insist that each in turn delegate necessary responsibility and authority to his immediate subordinates.

*Continued operation of unit control depends upon results.* Our unit-control system, then, is not just another system. It had its origin in a need and its development has been around that need. Further, it is custom-tailored to meet the individual needs of each buyer. Its purpose is to help the buyer make correct buying decisions. When it no longer accomplishes that purpose in its present form, we will either alter it where necessary or discard it.

# Better Relationship Between Manufacturer and Retailer

HARRY S. MAYER

*Vice-President, Simon Cohen & Co., Inc.*

Better relationship between manufacturer and retailer is a very pleasant Utopian goal that we hope will someday be reached. It is a goal that can only be reached through stabilization, education, co-operation, and a more comprehensive understanding on the part of each of the other's problems.

It is really unnecessary, as well as unpleasant, to divide business relationships into two factions—manufacturer and retailer—like two antagonists, each brandishing a club. Both parties should lay aside any "assumed" weapons, combine their talents, and thereby effect the objective they both seek in an easier and much more satisfactory manner.

Obviously, to achieve a compatible relationship, both the retailer and the manufacturer must have healthy and profitable operations. One of the most important steps in this direction is stabilization. The mortality rate of manufacturing, buying, and retailing establishments in the ladies-apparel field is, according to statistics, shockingly high. Records indicate that the average life of a coat-, suit-, or dress-manufacturing firm is five years; the average tenure of office for a department-store buyer is only three years. In the period prior to the Second World War, bankruptcy and dissolution rates of ready-to-wear retail stores far exceeded that of any other type of retail establishments.

Under such conditions, you can understand why it is extremely difficult to maintain harmonious relationships between the two factions. Each feels that the other is responsible for this insecurity, and it is for these reasons that stabilization is of such primary importance. Both the retailer and the manufacturer must learn to co-operate and to co-ordinate their plans and operations. To do this, they must study and understand each other's problems and conditions and see how their methods of operation dovetail. They must concede or compromise where necessary.

Manufacturers see stabilization demonstrated daily in their labor dealings and textile transactions in this postwar period. Before this stability was reached, the garment industry had gone through many difficult years of sweatshop practices and racket labor. Much credit is due to the farsightedness of leaders in both industry and labor for their untiring efforts to correct these conditions. They have established a pattern that is exemplary, and one that other industries would do well to accept as a standard. Under present labor arrangements, wages are thoroughly stabilized in accordance with the quality of workmanship in each category or type of garment. The only variance in the cost to the manufacturer is the efficiency he obtains from his workers through individual effort.

In the textile industry, the war period developed a healthy market. It will remain so as long as the controls, originally set up in that period, are judiciously practiced. Mills are now controlling their production to suit the manufacturers' markets and have stopped the prewar practice of overproduction. This practice had caused commodity breaks and competitive price wars which wrecked the economic foundation of the manufacturer or wholesaler by undermining the value of his inventory. It resulted in a vicious cycle for the wholesaler, in turn, who committed business hara-kiri by flooding the wholesale outlets with distress merchandise, moving farther to the retailer in the same cycle.

Most manufacturers today retain a fair competitive markup, realizing if they do not do so their products would soon be out of competitive reach. With this and the other steps of sound economic stabilization practices, the industry will function smoothly. Retailers and manufacturers alike recognize the existence of some disturbing factors, but it is wishful thinking to believe that these can be remedied without any effort. There are, however, no miracles in our industry. The manufacturer who produces a garment to retail for $60.00 cannot produce the same garment to retail for $40.00 without cheating somewhere along the line. The buyer must recognize this and cease witch-hunts for supervalues to entice and maintain the abnormal wartime volume.

It is our opinion that the greatest lesson learned from war-year merchandising, covering the source of supply and the manufacture and retail of garments, can be summed up in four words—careful and fair planning. Careful and fair planning means that the manufacturer will realize that the piece-goods mills cannot produce material overnight or in a ridiculously short period of time. It means that he will grant the mill fair delivery time to process the goods. The store buyers, in turn, should come into the market early to make their purchases for the coming season and thereby be secure in the knowledge that they will receive merchandise right through the season to ensure successful operation. This would, at the same time, permit the manufacturer to plan his operations properly and maintain his factories at an even pace. It is granted, of course, that there will be a peak season, and it will be necessary to work overtime and use a little more pressure at such times. The balance of the year, however, should be maintained at an even pace, and can be if all parties concerned plan fairly.

Now let us look at the other side of the ledger to determine what happens when unreasonable delivery demands are made by purchasers. In most cases, the manufacturer does not have the raw material on his shelves and must turn to the mill, which, also, does not have the material on the shelf. In his efforts to please the buyer, the manufacturer will be forced to pick up secondary or inferior fabric. Then, instead of giving his factory the required time to make goods correctly, he attempts to have it cut and sewed overnight. The result must be a garment below par. Then the retailer, even when he does get merchandise delivered at or about the date requested, belatedly learns that the fabric is inferior, the

colors incorrect, and the workmanship poor. In this way, the store has accumulated a conglomoration of helter-skelter garments which are then returned to the manufacturer. He, in turn, must sell them off-price, thereby creating a distress market for bargain hunters of such merchandise.

One stabilizing factor was created during the war years when all parties involved learned that they could conduct orderly businesses without glaring headline sales of 20 per cent, 30 per cent, 40 per cent, and even 50 per cent off, and have the books show good volume and fair profit at the end of a year. We are still the same business people, the same operators, and the public is also the same. Why then, in this respect, should we go back to the ruinous way of doing business? At the same time, though, we must not go from one extreme to the other.

Manufacturers should not ask for ridiculous delivery dates, far beyond the fair selling time of the retailers. Fair and careful planning by both will guarantee good results beyond any question of a doubt. The question arises concerning what are considered fair delivery dates and fair planning.

This could best be explained by noting that it takes an average mill a minimum of six to eight weeks from the date of an order to deliver the fabric. From the time the manufacturer shows his line, prepares his patterns, and puts the merchandise into work to the time it is ready for delivery, he needs at least the same time—six to eight weeks. Therefore, an order placed by the buyer requires a minimum of three months to effect delivery; for goods to be delivered in August, a buyer must purchase them in May and not later. In this manner, the buyer can plan her sales fairly and conscientiously, the manufacturer can plan his purchases from the mill in the same way, and the mill theirs, in a circle that will permit all concerned to operate their businesses intelligently, profitably, and pleasantly, through sound stabilization and good merchandising.

Another step in the relationship between the manufacturer and the retailer is the selection of styles and the maintenance of well-balanced stocks. It has been proved, without question, that retailers who use many sources of supply, dillydally with each, and finally take more frequent and larger markdowns than those who deal with a few manufacturers, giving these representative commitments.

It is important to recognize the fact that each manufacturer has a distinct product which represents individual interpretation of style and fit. This character is highly personalized and is as distinctive as fingerprints—no two are alike. Through style selectivity and careful consideration of quality, stabilization is reached in the planning of adequate, attractive stocks. Otherwise, there will be an accumulation of potpourri, of inferior garments that are "priced right." An account is only valuable to a manufacturer when he can enjoy a substantial and cordial relationship and he will, in turn, prove his value to the retailer by considerate and prompt service.

The manufacturer of the postwar period must accept the reality that the generally bad habits, prevalent during the war period, are now past history. He must recognize the fact that there

are no obligations due him because of any service rendered during that period. He must accept the fact that the type of garments manufactured then of inferior material and workmanship and styled in the sterotyped mode set down by the O.P.A. must be ancient history.

The manufacturer still has another job, for he must continuously strive to better his merchandise; his styling and ability must be competitive at all times. It is vitally necessary that he recognize his obligations in the fulfillment of all contracts given to him, and that he does not accept any contracts that cannot be fulfilled honestly and promptly. He must fully appreciate the retailers' problems and work with them in order to give the retailer the fullest advantage of using his product successfully and minimizing markdowns. He can only do these things and more, if the retailer, in his turn, will appreciate the manufacturer's problems and not make unreasonable demands. The two should, and can, wipe out once and for all the vicious circle now existing.

If this program of stabilization and fair and careful planning is put into effective operation, a relationship will result that will prove profitable and pleasant to both the manufacturer and the retailer.

# Using the Consumer Panel to Measure Department-Store Buying

THOMAS W. BLACK
*Research Manager, The New York Sun*

Until very recently in research history there had been no use of the daily-diary panel method to measure consumer buying in local markets. The consumer panels which had been operating over a considerable period of time, with a diary of one kind or another, were national in scope. Several of these had been designed to serve subscriber clients; others had been set up by certain magazines to represent their reader families. Now, however, we are coming into a period when the consumer panel is being developed as a research tool in different individual markets.

At the present time half a dozen such markets have daily-diary consumer panels operating on a continuous basis. All sponsored by newspapers (in one case by a newspaper group), these projects for the most part have been developments of the past year or two. In fact, several of the sponsoring newspapers have only very recently begun to issue reports based on their panels. Some of these studies cover only grocery products or grocery and drug products, while others also take in the buying of apparel and homefurnishings.

In this article we shall discuss still another consumer panel project—one that was designed primarily to determine buying patterns with respect to department stores. This was the Consumer Panel Study of the New York Market, covering the buying of apparel and homefurnishings, conducted by *The Sun* during March and April 1947. While not set up on a permanent basis, this study was nonetheless a true daily-diary consumer panel—the first such project undertaken on a full scale in the New York market and carried through to a published report. By giving some account of the objectives of this study, the techniques employed, and the results obtained, the writer believes that a clearer understanding of the possibilities of the consumer panel will result.

Before it came to any decision on a consumer research project, *The Sun* had carefully surveyed the types of consumer studies being conducted, not only in the New York market, but throughout the country as well. It was impressed by two facts: (1) that most consumer research was confined to nationally advertised products, particularly grocery products, and (2) that the studies usually took the form of the annual "single-shot" consumer survey or the pantry or store inventory. The latter, of course, is not direct consumer research although it is intended to reflect consumer buying. This situation suggested a study of department-store merchandise and a method that would record the actual buying experience of the consumer—in effect, the consumer panel.

At that time there were few criteria for the type of study contemplated—none, in fact, for such a project in the country's biggest market. Would a panel operation in the New York mar-

ket be feasible? To determine the answer to this question *The Sun* engaged the services of Raymond Franzen, statistical consultant, and after considerable study decided to set up a panel operation for a two-month period and to confine the diary records to purchases of department-store merchandise. Since the project was to be an innovation it had to be considered partly experimental, but it was to be undertaken with the full intention of making the findings public. After a long period of planning the study got under way on March 1, 1947, and was carried out under Dr. Franzen's technical direction.

A questionnaire was constructed with the view of covering a number of important aspects of department-store buying. Some of these were: amount spent per family; dollar volume per shopping trip; dollar volume per store; quantity and dollar volume of goods bought by commodity; distribution of commodities bought by price range; number of stores visited per shopping trip; number of stores visited before making purchase; corollary purchases versus intended purchases; frequency of shopping; distribution of shopping by day of the week; motivation for buying at a given store. In addition, the questionnaire was designed to make it possible to relate such aspects of deparent-store buying to newspaper reading, the ultimate objective being to compare *The Sun* market with the New York market as a whole.

The questionnaires were dated, one for each day of the two-month panel period. On the original placement with the respondent something better than a two weeks' supply of the forms was enclosed in a device called the Psychron, which was designed to make the respondent's task an easy one and at the same time hold her interest. After the original placement the Psychrons were replenished by interviewers at approximately two-week intervals. There was no use of the mails at any time during the panel period, a rarity in such an operation, even in local markets. It is the usual custom to have the respondent mail in her diaries after the interviewer has gained her co-operation. The personal contact every two weeks, however, makes possible a much closer check on the respondent's work. It is also much more costly than the more common method. The writer does not take the position that there should be no use of the mails in such a project. In the case of *The Sun* panel study, since it was the first effort of its kind in the New York market, every possible safeguard was placed around it. In fact, in addition to the personal pickup of diaries a small staff of investigators made random calls on respondents throughout the panel period. It should also be mentioned here that the respondents received coupons for good, consistent work which entitled them to certain inexpensive premiums.

For the original placement of the Psychrons a mandatory assignment of 1,700 residences was given to the interviewers. In other words, the interviewer had no choice in the selection of co-operators but was given exact interviewing points. The 1,700 designated families made up a probability sample of all New York market families (50-mile trading area), as designed by Dr. Franzen. With one or two exceptions this has been the only use of a proba-

bility sample in a local panel operation. The usual procedure is to use the so-called "quota" sample; that is, to let the interviewers select respondents, on the basis of certain social and economic factors, in the proportion they are believed or known to fall within the universe. Because it involves the judgment of the interviewer, and for other reasons, this method has certain shortcomings which it is not the purpose of this article to discuss. For some studies it may be the proper method, but where the reliability of the findings must be unquestioned (within a computable margin of error) a probability sample is one of the first requirements. There are variations of the probability sample but in general terms it is drawn on the basis of random selection. All the interviewing points are preselected and the judgment of the interviewer is never involved.

Because the interviewers are given mandatory assignments, the field work with a probability sample is much more costly than with a quota sample. The ideal, of course, is to get every one of the designated families to co-operate. Although this is never possible in actual practice, every effort must be made to get as high a proportion of the designated families as possible. This results in expensive call-backs where there is failure to make a contact on the first call. In *The Sun* study interviewers were required to make three call-backs before substituting the residence next door. Substitution of the house next door was also made in the case of refusals to co-operate. The amount of bias in the sample was the number of refusals obtained and was virtually unaffected by failure to reach respondents. Substitutions amounted to only twenty per cent, a relatively low proportion, and in Dr. Franzen's opinion the amount of the bias was negligible. After dropouts and one adjustment made by Dr. Franzen the final net sample totaled 1,356 families. There were 9,680 family weeks of diary materials, an average of 7.14 weeks per family, and the total number of items purchased exceeded 32,000.

Tabulating the results of *The Sun* panel study was a major phase of the project. Because there were few existing yardsticks for the job to be done, Dr. Franzen made it a requirement that all of the data be posted by hand on cards for his own personal attention in organizing the materials and determining the types of tables. This took more time than the punch-card method, but because of the nature of the study it turned out to be the best possible approach. Having once determined the possibilities of the materials, however, the writer would recommend the punch-card system of tabulating for a continuous panel operation.

The value of the findings was almost as much as *The Sun* had dared to expect. Buying patterns were clearly revealed although there was no marked success in tracing buying motivation, as might have been expected. (This is a subject that evidently requires a study by itself, to be undertaken only after a period of very thorough pretesting.) In general, however, the panel provided most of the kinds of information *The Sun* had anticipated. In fact, the big problem in the tabulating was where to stop. As it was finally resolved, certain sets of tables were prepared which brought together in an

organized form the basic materials of the panel. At the same time it was planned to add supplementary tables as they would be needed in individual cases. This plan has been followed up to the present time.

In this article the author cannot give anything but a suggestion of the kinds of data made available by *The Sun* panel study. Chart I, for example, shows the department-store share of retail-store business in the New York market, for the total of all commodities covered by the panel, and for the eleven merchandise classifications which make up that total. Indicating the points at which buying at department stores rises above or falls below the norm, it also gives the department-store share of the retail-store advertising linage in all New York newspapers combined, for the different classifications. Finally,

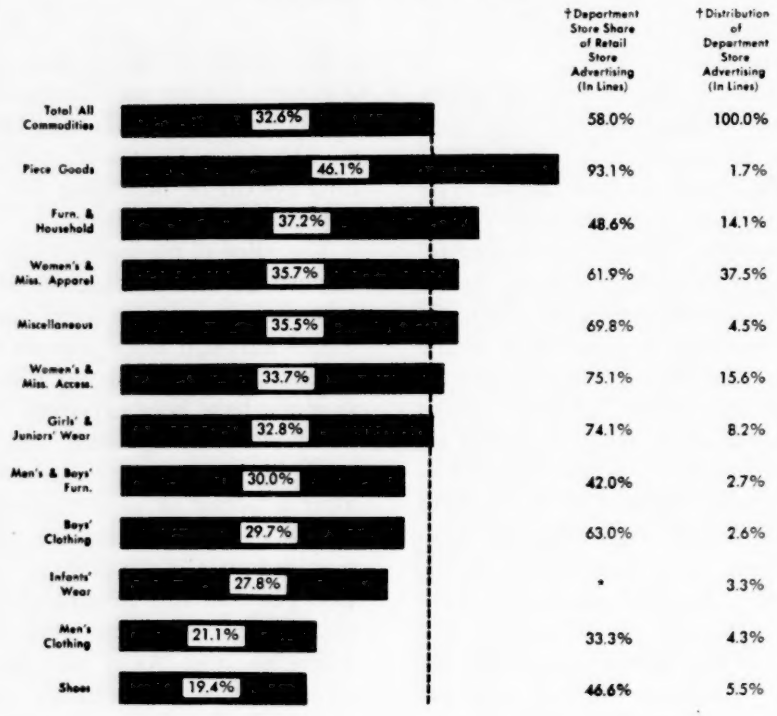
CHART I

**MAJOR CLASSIFICATIONS AND TOTAL OF ALL COMMODITIES**

**Department Store Share of Retail Store Business**

**(In Terms of Items)**

**March 1 through April 30, 1947**




† Based on Neustadt Reports.

* Not Available.

it shows the distribution of the department stores' own advertising in all New York newspapers combined, by the same classifications.

We learn that in the New York market department stores (as defined by Media Records) do about one third of the business in apparel and home-furnishings and place 58 per cent of such advertising in New York newspapers. Just to comment on one classification—furniture and household—we see that the share of business is higher than the total-commodity level, while the share of advertising is lower than the average. This may indicate that factors other than advertising have a large part in giving department stores their strong position in this classification, and also that these stores are not taking full advantage of this position. The panel makes this kind of information available for all of the important commodities that make up the classifications in Chart I. And not only are such data available for the total department-store group but also for subgroups and, in some cases, single stores.

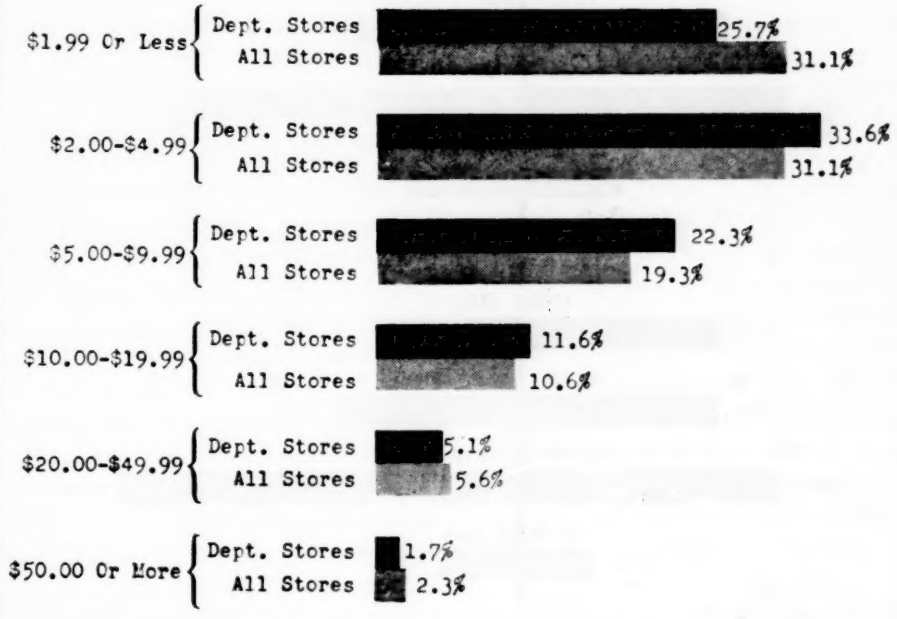
CHART II

**DISTRIBUTION OF PURCHASES PER SHOPPING TRIP**

**BY DOLLAR VOLUME RANGE**

**(Dollar Volume per Trip Irrespective of Number of Items Purchased)**

**March 1 through April 30, 1947**

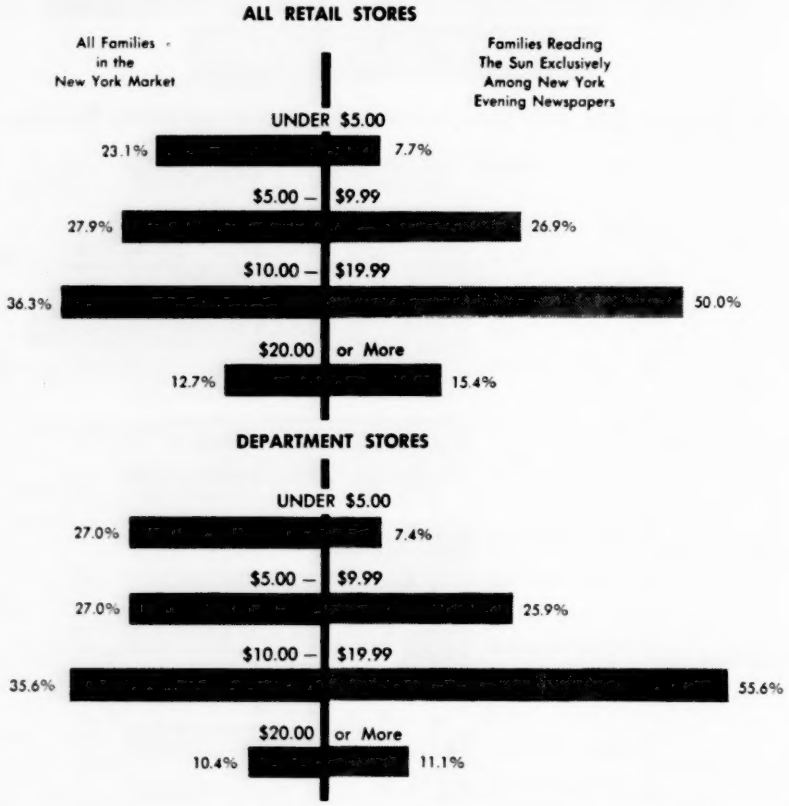


In Chart II there is presented a distribution of purchases per shopping trip by dollar-volume range, irrespective of the number of items purchased, for department stores as a group and for retail stores as a whole. This chart reveals that of every 100 trips to department stores by members of New York market families almost 26 result in the spending of less than $2.00 for items covered by the panel. Taking retail stores as a whole, the proportion for this range is about 31 out of 100. In the next three ranges—$2.00–$4.99, $5.00–$9.99, and $10.00–$19.99—the picture is reversed and the department-store group has the edge over retail stores as a whole. In the two top ranges—$20.00–$49.99 and $50.00 or more—there is a second reversal and retail stores as a whole go out in front. It is interesting to observe that of

CHART III

**DISTRIBUTION OF WOMEN'S DRESS PURCHASES BY PRICE RANGE**

**March 1 through April 30, 1947**



every 100 trips to any stores whatever for apparel and homefurnishings almost 82 result in the spending of less than $10.00. Information such as this is available for other store groups and for some individual stores.

Chart III shows the distribution of women's-dress purchases by price range at all retail stores and at department stores, for *The Sun* families as well as for New York market families as a whole. *The Sun* group in this case consists of those families who are exposed to *The Sun* but to no other New York evening newspaper, based on a criterion of readership two thirds of the time. This chart needs no comment and is submitted here only as an example of another one of the variations of the panel materials. This type of information is available, of course, for many important single commodities.

Within its limitations as a two-month study the author believes *The Sun* Consumer Panel Study of the New York market has definitely established this research technique as the one having the most value in measuring consumer behavior—in the New York market as well as in other local markets throughout the country. There has been much evidence to support this position in the way New York department stores have accepted *The Sun* panel findings. In addition, it is not without significance that *The Sun* study received the medal award as the outstanding research development in its class in the 1947 Annual Advertising Awards (the continuation of the Bok Awards). On top of this is the recent trend in other local markets toward the panel operation as an instrument for determining consumer-buying patterns and trends.

Although this paper has discussed a specific consumer-panel operation which was designed to have a special application with respect to department-store buying, it should be emphasized that the function of the panel can be, and in some of the cases previously cited is, much broader. In other words, this technique is just as effective an instrument for measuring the buying of nationally advertised products as it is for a study of the type done by *The Sun*. In fact, as the author has indicated, there are variations of the technique that make it possible to cover selected lists of nationally advertised products along with department-store merchandise. In addition, once a consumer panel has been set up the families are always available for special surveys. These may cover a variety of subjects and may be conducted by the use of specially prepared questionnaires that supplement the regular diary forms.

Obviously, the ideal consumer-panel operation is one that is established on a permanent basis. Only in this way can long-term trends be defined and radical shifts be observed as they take place. This applies to the New York market as well as to any other local market in the country. Unfortunately, the very magnitude and complexity of the New York market that make the consumer panel a much-needed instrument of research also make it a very costly one. Thus, while the author expects to see consumer panels started in additional markets throughout the

*(Continued on page 170)*

# Manufacturers Must Bring Down the Cost of Retailing

CLINTON SMULLYAN
*Vice-President, Phillips-Jones Corporation*

The last few decades have seen measurable progress made in the reduction of production costs. However, current economic conditions seem to provide sufficient reason to believe that similar gains in production economies are not to be expected in the immediate future. But our production experts have by no means shot their bolt. Progress in achieving technological economies in production are still possible.

This is not due solely to the fact that the easiest part of the road has been traversed—although that is clearly a factor. It is mostly due to the fact that distribution costs must come down simultaneously with production costs. Otherwise, there must come a period when production economies can no longer shoulder the entire burden of making merchandise available to larger groups of population at progressively increasing value.

Distribution must play its role. It must shave its costs so that the economies achieved by our technical experts in the factory through newer methods of mass production may have an opportunity to function at maximum effectiveness. To date, the over-all picture is one of a progressive reduction in manufacturing costs, where as distribution costs have remained the same or actually risen. Thus, the latter costs have canceled most of the benefits of production economies. This is unfortunate. The same scientific management and technical methods must be applied to distribution that have already been so successfully applied to production costs. How can this be done?

Retailing costs are an important element in the total cost of distribution. The cost of retailing—even in the case of our largest retailers—has shown little or no inclination to seek lower levels. Whereas production turns out a unit of merchandise at lower cost levels than two decades ago despite hugely increased labor and other costs, the cost of putting that unit of merchandise through a retail store today is apt to be higher than ever before in our history.

Our larger retailers are making a determined effort to bring down the cost of retailing. They are beginning to make progress. Since their start has been made largely in an area of rising costs, progress in achieving that goal may be hidden.

But there are only a few thousand really large retailers in this country. They operate only three to four thousand retail-store units. On the other hand, omitting gas stations and such miscellaneous outlets, there are close to another 1,800,000 retailers in this country.

These 1,800,000 retailers, generally, do not have the financial resources and knowledge that are required in the development and application of modern methods for the reduction of retail costs. Inasmuch as they epitomize the small businessman, our democratic

ideals demand that, as an institution, they be preserved. Clearly, many efforts of federal and state governments are directed to that end.

But the conclusion is inescapable. The cost of retailing cannot be controlled effectively so long as these 1,800,000 retailers continue their unscientific and uneconomic methods of doing business. Not even the power of competition will force them into line because the government can, does, and will continue to take steps to enable these same retailers to compete with their more powerful and more modern rivals. And when government takes such steps, they always prove more costly than would affirmative action by business itself.

Consequently, if the cost of retailing is to be brought down—and it must come down if mass markets are to continue to expand—the task is one that manufacturers must help to shoulder. The manufacturer must know as much about the art and science of retailing—at least as applied to his particular line of merchandise—as does the retailer himself. Then the manufacturer must make that knowledge the basis for a program that will actually put that knowledge to work in the retail stores, large and small.

For the manufacturer to know more about retailing his line of merchandise than the retailer handling it should not prove an impossible assignment. Most retailers handle many different lines of merchandise. Sometimes departmental heads in large stores are far from having the requisite knowledge about all of the merchandise lines they carry. Incidentally, as retailers tend to broaden their variety of lines—and that represents a definite trend in all retailing—this particular situation tends to worsen. But for the manufacturer to develop a sound program of retail aid and sell that program to the retailer, seeing to it that the retailer uses it correctly, is an involved and an initially costly program. It is a program that must be shouldered by all progressive manufacturers. Today only a small number of manufacturers in a few lines of merchandise are shouldering this burden.

This implies that a manufacturer must, to all intents and purposes, be in the retail business. He must think as a retailer. He must plan as a retailer. He must execute sales plans as a retailer. And he must do all of these things more efficiently than his retailers are currently doing them. It means that national advertising programs must be backed up with so-called "promotional help." Today, such promotional help usually consists solely of a few mats and a few displays and little more. Obviously, this represents hardly more than a gesture in the direction of bringing down the cost of retailing.

Not all manufacturers may find it economically possible to attempt to provide retailers with a complete program of assistance. However, everyone can do something to assist retailers. For example, numerous manufacturers are currently doing such things for retailers as:

1. Developing retail operating aids and such suggestions as arrangements for merchandise, floor plans, size and location of departments, blueprints and illustrations of successfully operated departments, complete store layouts, counter arrangements, and store architecture

2. Offering programs of merchandise control, pricing and mark-up, and statistical control and analysis
3. Offering programs of accounting control
4. Suggesting programs for training retail salespeople
5. Providing complete promotional programs

Phillips-Jones has been working along these lines for a number of years. Our position is that we are in retailing as much as we are in manufacturing. And we endeavor to function with the same efficiency in retailing as we believe we achieve in manufacturing.

While individual parts of our program may change from season to season, the basic plan remains constant. We try to improve it each year through discussion in the field with the merchants for whom it is designed and by checking on the way it has been used and on its results.

For example, this season's program divides itself roughly into four sections:

1. National advertising designed to establish Van Heusen as a deeply rooted brand name for men's wear, to build acceptance for our lines, and to sell specific Van Heusen items. Our salesmen use the national advertising to sell retailers; the latter use it as the basis for *their* selling promotions.
2. A promotional program that provides the retailer with complete store-selling kits tying up with national advertising. The purpose of these is to make the national advertising a vertical force by echoing and bringing its effect to the selling counter.
3. A store-improvement program to make selling more efficient through making the store a more efficient selling machine. In this program, every physical part of the store—from color to display, from fixtures to customer comforts to traffic flow—is analyzed.
4. Other dealer helps include sales training, stock control, incidental fixtures, and personalized service aids and suggestions—each of which is an important project by itself and an important item in manufacturer-retailer co-operation.

The sale of our products to consumers (shirts, sport shirts, neckwear, pajamas, and wool hosiery) depends on more than 5,000 retail stores scattered all over the United States. These stores range in size from small men's haberdashery stores to the largest department stores.

Our sales organization is such that from five regional offices our salesmen cover every county in the United States. In all instances the salesman lives in the middle of his particular territory, and except in sparsely populated areas, no salesman has to travel more than 150 miles from his home to reach the most remote part of his territory.

This setup of salesmen exists for two reasons: first, to realize the maximum sales potential of the territory, and, second, to ensure salesmen seeing each retail store frequently. It is impossible to conduct a sales-promotion training program by remote control! Our basic philosophy of lowering distribution costs is keyed to this type of selling organization. Using these tools of close contact and frequent visits makes our program practicable.

Here is a list of the services and helps we make available to a retailer handling our line and a brief description of how a salesman uses them:

1. The most important help that we give retailers is a "presold" product. We conduct a national program of advertising. It reaches every section of the country. There is no retailer to whom we sell that should not benefit from it. A consumer in Chicago, Illi-

nois, is as predisposed to buying a Van Heusen shirt as is the consumer in Honesdale, Pennsylvania.

2. A complete mat service so that every retailer, whether he has an advertising department or not, is able to get fine cuts for use in his local paper that will tie up with the merchandise in his store.

3. Point-of-sale display material in wood and in paper.

4. Selling units for specific merchandise.

5. Plastic containers and trays for showing all types of merchandise.

6. Scientifically worked out designs for the proper display and storage of merchandise.

7. Complete plans for modernizing a store.

8. Architectural department and service for helping a retailer with his architectural problems.

9. An inventory-control system for the guidance of retailers.

10. A retailer's promotion department to help and guide him in his promotional activities.

11. A service whereby a retailer can be shown the very latest setups for purchases and balancing of our products for his store.

12. A department in our headquarters specifically organized to answer retailer's questions and to help solve his problems. This makes it obligatory on our part to gather all available information and to maintain a staff of competent personnel prepared to answer a retailer's questions. The primary job of this department is to be in a position to provide a retailer any information pertaining to his operation that he might request.

Our salesmen go out with a brand new line twice a year. Each brings to his retail accounts not only the staple and new styles being sold, but also our complete advertising story. Each salesman is trained to show retailers at the time of these visits the most effective way to tie his local advertising in with our national program.

Our goal is to sell merchandise to retailers which they, in turn, must sell to their customers. We put each on notice that he is entitled to help from us in moving the merchandise into his customer's hands. We make available to him our complete merchandising service, and make him aware that we feel it is as much our responsibility as his to see that the merchandise is sold at a profit.

We stress to our salesmen that we consider our relations with retailers more than a fifty-fifty proposition. It is a seventy-five–twenty-five proposition. And seventy-five per cent of the responsibility is ours—the manufacturer's. A forward-thinking manufacturer fulfills his contract to a retailer, not with the delivery of merchandise, but when that merchandise has been sold.

Any retailer stocking a manufacturer's merchandise, in large or small quantities, is like a precious stone to that manufacturer and like a precious stone must be continually polished to be kept shining. To this end there is no expense too great and no difficulties too large to see that the retailer gets every assistance that can possibly be given him to help sell the merchandise more economically.

Mass markets will continue to expand only if every one involved—in production and in distribution—is compelled to deliver better value to the ultimate consumer. The retailer must carry his fair share of the load if this goal is to be achieved. If he knows not how to make his contribution, then he must be shown. And the manufacturer of the merchandise the retailer handles is the most logical source of such aid. After all, they are striving toward the same end. They are a team and if they pull together, each will gain the greatest possible success from their combined efforts.

# Centrally Controlled Merchandising for Fashion Units

C. A. Hollatz

*Ready-to-Wear Merchandise Manager, Montgomery Ward & Company*

A discussion of the relative merits of central unit control versus individual store control usually resolves itself into deciding the extent to which to go in buying and distributing an article of merchandise to multiple units from a single center. Not to use one of the many methods for controlling stock in a group of separated units would be worse than trying to run an army without a general.

There is no question that the present trend is toward greater control of more articles in more types of multiple or chain organizations. One cannot pick up a newspaper today without finding some consolidation of independent units into an affiliate, or the purchase of some independently owned unit by a group. The need and effectiveness of central replenishment is also demonstrated by the fact that, whenever a business goes into greater centralization of control, the department affected generally shows an increase in sales and usually a higher profit.

The extent to which central buying offices go in distributing to the individual units varies from a check list—from which each store can order at its own discretion—to controlling centrally the quantity of each style or type to be shipped, the date and item to be promoted, and the sales expected. In fact, the central office controls everything that has to do with merchandising including budgeting the advertising and the number of salespeople required as a basic organization.

How extensive and detailed a central replenishment plan should be depends upon:

1. The article to be distributed
   - *a)* Unit price
   - *b)* Period during which it sells
   - *c)* Markup
   - *d)* Obsolescence or markdown risk
2. Type of unit
   - *a)* Chain of specialty stores
   - *b)* Chain of general merchandise or mail-order stores
   - *c)* Syndicated group of stores
   - *d)* Group buying office
   - *e)* Established unit with group of neighboring branch stores
   - *f)* Branch distributing offices or warehouses
3. Character or similarity of the group
   - *a)* As to location, distance apart, types of towns in which located, location within a town
   - *b)* Size or volume, uniformity of price appeal, merchandising policy

A review of the more obvious advantages and disadvantages of unit control is advisable before determining the best procedure for keeping a store's inventory of a given article properly balanced. I say "a given article" and "a store" because within a chain or group of stores the extent of control may vary and the procedure for merchandising one department may be decidedly different from the best method of replacing sales on another item. The advantages and disadvantages of a centrally controlled operation are:

*Advantages*

1. Buy at a better price
   *a)* Large volume
   *b)* Off-season buying
2. Higher type buying and merchandising personnel at a lower individual unit cost
3. Saving in cost of store personnel
4. More intensive and accurate coverage of market
5. Experience of one or more units can be applied to the entire group
6. Local units lack information on future trends, consequently are apt to misjudge future requirements as measured by present sales
7. Advantage of examining merchandise before it is shipped
8. Local unit apt to add marginal items instead of keeping depth of inventory in items carried
9. Better planning as a result of wider perspective

*Disadvantages*

1. Lack of detailed knowledge of local conditions
2. Loss of time in replacing sales, especially where sales vary greatly from expectations
3. Psychology of leaving it to the other fellow. Store manager says, "That's Chicago's responsibility, our inventories are controlled in a central pool"
4. Not the same responsibility for selling what someone else buys

ARTICLE TO BE CONTROLLED

The procedure to be followed in organizing a central replenishment unit for the dress department of a large mail-order chain of retail stores takes into consideration almost every conceivable problem one will run into in deciding what method to use and to what extent it is advisable to go in taking away the initiative of individual store responsibility and vesting it centrally.

The unit sales of dresses average about $10.00 and are lower than the unit sales of coats, furniture, and major appliances, which average over $25.00. They are somewhat higher than sportswear, shoes, white goods, and other appliances, which average about $5.00. While dresses are considered a twelve-months-of-the-year item, there are definite selling peaks, April, May, June, September, and December, with definite between-season months, January, February, and July, and the types and styles that sell are decidedly more than seasonal. Due to frequent style changes, dresses are generally considered to have an active selling life of six weeks. An actual study of the percentage of dresses sold shows that nearly 25 per cent of each shipment is sold during the week received, 45 per cent in two weeks, over 55 per cent within three weeks, and the balance trickles out over a period of eight to ten weeks, or is marked down. At least 80 per cent of a style should sell at regular prices in order to be profitable.

Because of the longer selling period of coats and furniture and of the lower markdown risk and consequent lower turnover on which it is possible to make a good profit, there is no need to establish so fine a control as on an item with a much shorter selling period. Sportswear and some shoes are short-season style items but the unit sale of these is lower than dresses. Again the markup on dresses is about the same as on coats and sportswear and lower than on appliances and furniture.

Dresses, then, with a higher turnover, ten to thirteen times per year, against shoes, approximately three, sportswear six, and coats five turns, with higher markdown hazard and comparatively low markup and only an

average unit sale, require a maximum of merchandising effort at a percentage of cost that is in line with the markup and average unit sale. So much for the article to be controlled.

### TYPE OF UNIT

The mail-order chain has problems that are not as apparent in other types of multiple units or chains. The size of its units varies in volume from less than one million to over fifteen million dollars. It is therefore, a chain within a chain, and the same price lines carried in one type of unit will not be carried in another, nor will all of the types or styles. The smaller the unit is, the greater the number of marginal items that need to be discarded. One cannot afford to spend the same amount of money for a fashion head in a small unit doing one tenth of the business of a large unit. Furthermore, store personnel is not trained primarily in soft lines or fashions. Because of the wide variety of lines carried, the volume in any given line is not as great for the size of the unit as in a specialty chain.

Stores of mail-order chains are located in all sections of the country and in every type of community from resort towns and farming districts to industrial areas and coal-mining towns. Such factors condition the need for types of merchandise to be carried as well as sizes and colors in demand. Differences in seasons and climate as well as national peculiarities are also factors to be considered. Laredo, Texas, on the southern border, with its large Mexican population, requires different merchandise and shipping dates than even Temple, Texas, and certainly St. Paul, Minnesota, with a large percentage of Scandinavians, or Stroudsburg, Pennsylvania, with its influx of resort trade as well as local farming demand, to mention only a few.

This may sound like a good argument for the need of individual control. It is not, if the central unit has good and sufficient information so charted that it is readily usable, and if stores are classified in order to make individual demand obvious. The advantages of large-scale buying with a higher paid, higher type of buyer and more intensive coverage of the market, and the employment of merchandising people with a wider perspective of the types in demand, and the time to start and stop shipping will more than offset the advantage of proximity to the customer. It is a good argument, however, for close co-operation between the local units and the central office. Consequently, the mail-order chain requires a greater degree of centralization, since an examination of the other types of units will show that, while the specialty store has some of these characteristics, it has less than the general merchandise stores, which in turn have fewer than the mail-order chain.

Frequently a specialty chain is located in a given area like New England, or in a group of large industrial towns, or in Southern or Midwestern farming communities having certain denominators common to all. Usually the size or volume of the stores is quite uniform and they specialize in a comparatively small number of lines carried. Obviously, also, a greater degree of centralization is easy in multiple units of distributing offices or warehouses as compared to the method to be worked out in a syndicated chain or a group buying office.

By way of summary, the larger the volume per department in the individual unit, the less need for centralization. The closer together the units are located, the less variation in climatic, racial, and occupational demand, the more uniformity in size, the higher the type of store personnel, the smaller the unit sale, the longer the life of the article, the greater the degree of specialization, the lower the markdown hazard, the simpler the problem of central replenishment becomes.

I imagine a chain of hotels would be difficult to control centrally. The unit sale is comparatively low. If a room is not rented each night it is a complete loss since there is no markdown value. The turnover is high, business is seasonal, and the demands are multiple and varied.

### INITIAL PLAN

The first requisite of a sound replenishment system is a good comprehensive plan. How much can be spent for unit control depends on how much business it is expected to do and how often it is expected to turn the stock. Some predetermination of the business coming from each store, the price lines to be carried, types of garments and style to be stocked, and the color and size in accordance with each individual store's sales demand must be made in advance of the season so that the merchandise can be bought early enough to have a balanced stock from which to sell. Only with an initially balanced distribution is it possible to replenish accurately.

To do this, stores are divided into classes by volume and then subgrouped by climatic conditions, and further classified by type. You might have a class three, Southern resort town, or a class three, Northern farming community. Keeping volume in mind, the price lines to be carried by each group are set. Climate determines starting and stopping dates of shipment, and also to the quantity and type to be carried. Individual differences in size requirements are also considered. Model stocks are then set up for each group of stores, and one merchandiser or analyst is in charge of each subgroup of stores. One merchandiser handles from forty to seventy stores, depending upon size.

Once this initial distribution which is based mostly on past experience has been made, replenishment depends on each store's performance. Since the initial shipment is made before going into the peak selling period, stocks can be built slightly in excess of normal turnover requirements to allow for differences in norm from previous season's sales before these variations can be determined from current selling.

### TABULATING METHOD

The more detailed and accurate your preseason selling and the faster you get information on current sales, the more effective central replenishment becomes. Consequently, such a plan should make use of tabulating machines, rather than depend on hand tabulation. While the cost of machine tabulation is higher, it is less per unit of information obtained. Once the information has been punched into the cards, additional reports are obtainable at very little extra cost. Where the unit sale is low, at least under three dollars, and it may not be advisable to control stocks by color or style, hand tabulation may be more economical, or it might even be advis-

able to replenish sales by means of a check list, shelf record, or standard list. But in a dress operation where markdowns may mean the difference between making and losing money, more detailed information and control is advisable.

A unit control can also be based on tabulating sales alone and submitting periodic actual inventories. It would seem that if tabulating machinery is to be used effectively it should do all the work from taking inventory and recording sales to billing the merchandise. Only by the maximum use of machines can a sufficient number be utilized to produce selling and replenishment reports economically and quickly. Keeping a perpetual inventory relieves the store of this responsibility and gives it more time to sell merchandise.

Speed and accuracy are the prime essentials of central shipping; therefore, a prepunched card should be the basis of determining merchandise on order, received, and in the warehouse, shipments to the stores, store inventories, sales by manufacturer, style, price line, size, color, and type by store and in total. Such a card should also be the price ticket attached to the merchandise, so that a part of the card, by simply detaching, becomes the shipping record, the stock order or store charge, and the deduction from pool stock as well as the addition to the store inventory. Another detachable part becomes the store sales, the deduction from store inventory, and the basis for accumulating all sales records.

### MODEL STOCK REPLENISHMENT

Dress replenishment should be made against actual sales in relation to inventory rather than against a model stock. The latter in a dress operation is merely a guide to balance inventory, and a reminder not to miss the item where it is temporarily out of stock. Replacement against model stocks is simpler and requires less capable analysts. Where the item has a long selling period, like men's work pants or shoes, model stock replenishment by style will work, but there is a tendency to shortship the active stores and oversupply those showing sales decreases. This system also tends to keep the fast-selling sizes in short supply and the marginal sizes filled in unless each style is carried in depth, which usually is not possible in the smaller units. Where model stock replacement is used, a modification based on the quantity of a type in stock in relation to its sales should not only be used as a brake on further style shipments, but should also be the basis of revising the model.

### POOL STOCKS OR SHIP DIRECT

Merchandise can be shipped direct from the manufacturer or from a central pool. The determining factor is how much to spend for central shipping. Dress stocks should be shipped from a pool because of the savings in eliminating defective and substitute merchandise, and the need for wide assortments of styles. The shipping of small quantities from numerous manufacturers is expensive and it is not possible to balance store inventories without a large number of styles from which to choose. Furthermore, manufacturer's deliveries are too haphazard and undependable. Since speed is as important as accuracy in replacing sales, the merchandise should be analyzed against store requirements so that shipments

can be allocated to the stores as they are examined and tagged rather than put into stock and used as a reserve for filling orders. Dresses should be shipped within twenty-four hours after being received and should go the fastest way. Routing should be controlled by the traffic department to ensure quick delivery at reasonable cost. Such a system of pool stocks is satisfactory for shipping items that have a slower turn and a longer selling season than dresses.

### CO-ORDINATION OF BUYING AND DISTRIBUTING

No replenishment system is any better than the quality of its buying. The best execution of buying plans is negated if the dresses are not put into the right stores, and, conversely, the best distribution of the wrong styles will result in poor sales and profits. Consequently, the buying of merchandise should come under the supervision of the merchandise department. As soon as the preseason sales plan and model stocks are set, they should constitute the basis for determining the opening buy by price line, type, and size. Modifications in this plan may be made to conform to strength and weakness of the market but, for the most part, this change is established in the reorder procedure, naturally the quantities being increased on the fast-selling items. Subsequent buying plans are made each week based on current and future selling. Replacement buying is made in part (fifty to seventy per cent) on the purchase of check-out numbers that are put back in the stores in quantity, and in part on keeping stocks balanced by type for future selling, a good part of the latter consisting of test shipments.

Six simple machine-tabulated records are necessary for buying control.

1. A record of sales in relation to inventory of test styles shipped to test stores
2. Total selling against store inventory on hand by manufacturer, style, color, and size —current and accumulated
3. Total record of sales and inventory by type
4. Last season's sales by manufacturer, style, and type
5. A composite record showing store inventory and in transit, pool inventory, merchandise on order (by date of delivery), current week's sales, accumulated sales by type and in total compared item for item with last year for the same period. In addition, this record shows the next eight weeks' expected sales compared to last year's sales and inventory for the identical period. It also includes the current week's receipts, and the shipping by item to the stores

### CONTROL OF MARKDOWNS

Report number two, showing the sales by manufacturer, style, and size, is also the basis for determining markdowns to be taken. This report, in addition to showing sales by individual styles, is run to show the selling by types and manufacturer. At the beginning of a new season, this report, made cumulative for six months, is a reminder of last season's good sources and styles. Markdowns are controlled by the individual styles in each store to be marked down. To minimize the final liquidation of slow-moving styles, stores are mailed a detailed list of dresses in their stock that are to be marked down together with a progressive plan for liquidating. The store, as it takes the markdown, has to circle the item, and every item on the list

must be accounted for before being returned to the merchandiser.

Two weeks before the scheduled date of the markdown, the merchandiser for the store is given a list of that store's prospective markdowns, so the markdown dresses can be replaced with new merchandise before the transfer is made to the reduced-price rack.

### CO-ORDINATION BETWEEN STORES AND HOME OFFICE

A sample of every style purchased is taken from stock and sent to the merchandising office where it is compared with the original purchase and reviewed by the buyers of other price lines for comparative value. After four weeks of selling has been marked on the sample, it is again reviewed by the buyers and division managers. These samples are also used by the merchandisers to keep themselves and the stores informed about good reorder numbers. It is important to take the store's selling personnel into partnership regarding future shipments and their selling points. Each merchandiser keeps his stores informed about other stores and their methods for getting sales increases. A traveling merchandiser, under the direction of the merchandise department, should be used to check stores' adherence to company policy in taking markdowns, displaying stock, etc. He should also act as a trouble shooter in stores showing poor sales trends in comparison to the division as a whole. Most chains have such traveling merchandisers but, unfortunately, they come under the supervision of the operating department.

Stores for their part should keep the distributing unit informed by wire or telephone where actual sales are materially out of line with expectations so that shipments can be increased immediately instead of waiting for the summary of the store's inventory to come through in the regular manner. They should inform their merchandiser regarding paydays or any unusual events or promotions that will change their current sales trend or volume comparison to a year ago. It is their duty to advise their merchandiser about unusual local conditions that would change their model stock, and also submit a factual record of lost sales.

Store sales personnel should be paid on a personal-production basis, with a base salary and a percentage payment on sales in excess of the minimum. Such a base is determined in line with the average selling costs of the department involved. Example: Based on 6 per cent selling cost, the base would be $600.00 for Department A and pay $36.00 per week, plus 3 per cent for sales in excess of $600.00.

### REORDER STYLES

The success of a style business depends upon the quick replacement of fast-selling reorder numbers. It is much better to put the fast-selling reorder numbers into all stores than it is to depend upon individual store's reorders. Some stores will neglect to reorder entirely, others will order correctly, or in excess of or below requirements based on the record. A large percentage of markdowns is the result of gambling on new style numbers. Therefore, during the slow-selling season, reorder styles should be determined on the basis of test buying and put back in the stores in quantity during and

preceding the peak of sales. Usually a good selling style will sell in all stores of a class even though some stores will do better with it than others. Since reorder styles are determined on the basis of check out, test styles should go only to volume stores by express or air freight, and sales of test styles should be tabulated immediately, instead of waiting for the slower regular report.

Obviously dresses with a comparatively short selling life are controlled by type rather than individual style, except for fast reorder numbers, whereas fur coats, with a long selling season and extremely high unit sale, lend themselves more readily to number control; or a pair of work shoes with an even longer selling period but lower unit sale is also more adaptable to specific style control. A good replenishment system will make replacement of fast-selling or feature styles a part of its system the same as types are replaced in keeping with the store's requirements. Because of the frequent change in demand for dresses, it is as important to know when to stop or change the styles on replenishment as it is to put them on control.

### ADVERTISING AND STORE WINDOWS

All functions of merchandising should be included in a central merchandising plan. It should provide for uniform windows to tie in with planned advertised events. This advertising should be uniform for all stores and centrally distributed. The item to be advertised, the time it is to be run, and the merchandise backing by class of store should all be determined by the merchandising unit. The total amount of advertising, together with the space to be allotted to a given department, is a management function, budgeted on a set percentage of expected sales.

Planned advertising should constitute at least seventy per cent of a store's program, with thirty per cent left to supplementary advertising to be used at the store's discretion. The per cent of discretionary advertising should be increased for the larger stores in line with their volume.

### PERSONNEL

No central distributing plan is any better or worse than the people who operate it. The best plan can be a failure if the people responsible for its execution are not capable and experienced. The people who analyze store inventories should also control the choosing of the merchandise and be responsible for the actual stocks in a store, rather than for a paper analysis. They should be paid on an individual incentive basis, using the per cent increase in volume for their group as compared to the total, the percentage of markdowns, and the rate of turnover. Buyers should be reimbursed, likewise using gross markup, per cent increase in sales, and per cent markdown in the price lines bought, as a basis for determining part of their salary. Many chains are conscious of the need for good buyers, but lack the perspicacity to put the same value on distribution.

### SUMMARY

How successful a central merchandising plan will be in building sales and profits depends first upon the accuracy with which sales are replaced. Determine how far it is necessary to go

in central control to accomplish your purpose best, keeping in mind the length of selling season, average unit sale of the article to be shipped, the type of chain or stores to which distributions are to be made, and how much you can afford to spend. Merchandising is not an exact science. How well the plan will be carried out depends upon the judgment and caliber of the people responsible for its execution.

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## Using the Consumer Panel

*(Continued from page 157)*

country, he doubts if any single agency is prepared to underwrite such a project in the New York market. There is no good reason, however, why a consumer-panel operation in the New York market cannot be a co-operative undertaking sponsored, for example, by newspapers and retail and national advertisers. That such a plan is feasible is demonstrated by the succesful operation of a consumer panel in Pittsburgh by the Research Bureau for Retail Training of the University of Pittsburgh (subsidized by local stores) in co-operation with the Pittsburgh press. The ground has been broken in New York and the experience gained on which to build a permanent panel. Several important New York stores have shown a definite interest in this research technique and *The Sun* will continue to be one of its leading proponents. If in this article the author has done anything to advance the cause of the consumer panel in any market—but most particularly in New York—it has been an effort well worth taking.

# The Store-Modernization Movement

JOHN W. H. EVANS
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Over the centuries merchants have found that, to maintain their businesses, it was necessary for them to keep up with the changing and advancing conditions in merchandise and merchandising. In the open market places of olden days, as well as in those of today, the merchants whose wares were strategically or aesthetically arranged sold more than those who just piled their goods in a heap. Three or four hundred years ago, each merchant was a craftsman who made his own merchandise and displayed and sold it from his home. During this artisan period, excellence of craftsmanship sold the goods.

However, with the development of machinery and manufacturing processes during the nineteenth century, the home shop lost ground to those shops selling machine-made goods, which were becoming available in greater quantity and variety at lower prices. These greater quantities and varieties of goods required more space and more attractive merchandising centers. Thus the merchant had to move his shop from his home to a separate place of business, his store. Excellence of craftsmanship became secondary to the wider selection and lower prices of mass-produced goods.

A natural development of the greater quantity and wider variety of goods was the department store, requiring more room, even more than one floor, with large open areas and large show windows. As department stores grew in number and size, the small merchants were at a competitive disadvantage, since consumers preferred to fill all their needs in one place, rather than to buy drugs in the drugstore, clothing in the clothing store, housewares in the appliance store.

The small stores, to overcome department-store competition, concentrated on attractive and inviting exteriors and interiors, customer convenience, and better service. The old cracker barrels, potbellied stoves, and assortment of merchandise hung from ceiling hooks were eliminated; glass showcases and orderly shelves were installed. Merchandise was grouped more sensibly and displayed more attractively. Lamps were replaced with incandescent lights.

As the small stores modernized, their business increased. The department stores up to this time had been nothing more than huge warehouse areas, with all stock stored right in the section where it was sold. Because of the modernization and increased competition of the small store, department stores began treating each department in the store separately, as if it were a single specialty shop. Each department became segregated, stock was hidden, decorations appropriate to each department were worked out, and the department stores were transformed into a series of specialty shops, all under one roof.

Such improvements and advances in retailing methods proceeded almost

uninterruptedly during the twenties. The depression of the thirties, however, was so severe that all improvements and modernization plans were shelved until business improved and more money was available. The stores that remained in business operated with their equipment and buildings unchanged. Any impetus for store modernization lagged until the late thirties, when business showed signs of an upward turn. Stores again began to plan improvements. However, before many of these plans could be completed, war in Europe was declared, and until 1946 all such activities were halted.

During the war, sales volumes and profits of retail stores expanded and reached greater heights than ever before. Stores attained this expanded volume in old buildings, with old equipment and with overtaxed staffs. With the increase in the volume of merchandise available and the return of competition, it became necessary, in order to maintain sales at high levels, to plan modernization and expansion again, and this time to carry out the plans as quickly as possible. With materials and man power available, with sufficient funds on hand, modernization was inevitable.

Stores realized the need for modernization and wanted to go ahead with plans and the actual construction. But there arose the question of how to go about it. The small merchant was not an architect, designer, color expert, or lighting engineer. He knew he needed new lights, but what kind, how bright? What colors are best for a clothing store, a bakery? What kind of store front should he have for his drugstore? The large chain and department stores had architects, designers, and engineers on their staffs, but the small independent merchant did not have this expert advice at his immediate command.

A few manufacturers of soft goods and a few others of hard goods were quick to recognize this need. They started offering store-designing services and supplying expert consultants to help the small merchant with his modernization plans and problems. The National Cash Register Company, for instance, will help a merchant plan the layout of his store and the arrangement of his fixtures to obtain maximum space utilization and sales.

Manufacturers of consumers' goods will assist the small merchant selling their goods in his store-modernization plans. Many have developed special fixtures, tested by the manufacturers to sell more goods, which the merchant may install. For example, greeting-card companies now design and manufacture specialized display racks; cosmetic and drug manufacturers provide display fixtures for their products. To assist tire dealers in their modernization plans, the Goodyear Tire and Rubber Company has a mammoth store-development and design department in Dayton which covers about two city blocks. The merchants selling Arrow or Van Heusen men's wear can receive advice from Cluett, Peabody and the Phillips-Jones Corporation on a complete, tailor-made store-modernization program.

Manufacturers and wholesalers have also set up store-planning sections. The manufacturers of store-modernization equipment—store fronts, showcases, lighting fixtures, flooring—have

huge store-planning departments. Pittsburgh Plate Glass Company and the Kawneer Company, both store-front manufacturers, will assist the merchant in his over-all planning.

Many government and civic agencies have begun advisory services, lectures, and meetings. The United States Department of Commerce has published many "Small Business Aids" pamphlets on various aspects of store modernization; and also a "Check List of Store Modernization." Many state departments of education and commerce have organized courses or meetings; the California State Department of Education, Bureau of Business Education, has for many years conducted Business Planning Institutes throughout the state to help retailers with their modernization plans. Many local chambers of commerce and civic groups now give advice to their merchant members on modernization.

Architects and designers are, of course, other sources of help on store modernization. Many merchants believe, and wrongly, that they cannot afford the services of an architect. However, it is usually more economical to pay the architect's fee (frequently a percentage of the total cost of modernizing) and have the job done properly. A good architect or designer can produce maximum effect with a minimum budget, and has the advantage of knowing and being able to use equipment from many sources.

Retail-trade associations, for the help of their members, have developed store-modernization services. The National Retail Furniture Association and the National Stationers Association are among the retail-trade associations that keep their members up to date on modernization through their trade publications. The N.R.D.G.A. also publishes many booklets and articles on modernization for their members. The Wholesale Dry Goods Institute has published a brochure on recommended store layout for dry-goods stores, complete with plans for building individual fixtures.

Property owners—banks, insurance companies, real-estate companies—have finally become aware of store modernization. The well-known Franklin Square, Long Island, development was an example of this. The bank and Chamber of Commerce officials collaborated on a plan to modernize the town for the purpose of raising it from a backward to a prosperous status. The merchants all along the main street agreed to modernize; the bank agreed to finance the modernization at a low interest rate, if financing were required. The increased business resulting from the face lifting has more than doubled the town property values.

Just as the property owners benefited from modernization, so did the merchant, as well as all those who contributed to his modernization program and its fulfillment. Obviously the manufacturers and wholesalers of consumers' goods benefited when more of their goods were moved across the counter to consumers in a well-planned efficient store. Manufacturers of store-modernization equipment who offered advisory services to retailers sold more of their showcases, flooring, lighting fixtures, or store fronts than those who gave no advice. In addition, more prosperous retail stores made more prosperous retail-trade associations.

As the sources to which a small merchant could turn for help in his modernization program became greater, more diversified, and more specialized, the retailer again was confronted with a larger problem: not how to go about modernizing or where to go for help, *but* which of the many sources of help available was the best in each particular case.

The Store Modernization Show was, therefore, organized in 1946 to help retailers co-ordinate their modernization programs, by bringing together in one place all the agencies, associations, manufacturers, individuals, and groups fostering store modernization. Its purpose was to present to retailers—and to others interested in store modernization—in one package the latest information, ideas, and techniques on the subject. From surveys made among store designers, planners, manufacturers, and retailers themselves, it was apparent that there was an urgent need for such an integrated exposition.

The subject of store modernization had been discussed for years by progressive merchants in retail-trade magazines, by architects, and by manufacturers of store-modernization equipment. Not until the first Store Modernization Show in July 1947 brought them together could those who wanted to know how to modernize meet those who knew how. Now the annual Store Modernization Shows serve as focal points of the greatest store-modernization know-how in the world.

An advisory committee of representatives of retail-trade associations, architectural groups, chain stores, department stores, educational institutions, and publications guides the policies of this annual show. The chairman of this advisory committee both years has been Charles M. Edwards, Jr., dean of the School of Retailing, New York University.

In addition to exhibits of all the latest store-modernization equipment and services, daily clinics are held which are the near equivalent of a course no college has ever offered. Experts in the fields of store lighting, layout, fixturing, store fronts, traffic, color, materials, planning, and displays give illustrated talks and answer practical questions from Main Street and Fifth Avenue retailers in all their respective fields. The discussions presented by the experts, as well as the question-and-answer forums, are recorded and published annually by the Store Modernization Show ($5.00). These books are considered the most authoritative and complete source of information on store modernization in existence.

Here at last in one place retailers of all trades can get basic advice and ideas on store modernization, can meet the experts and discuss individual problems, and can learn all the sources of help available. However, the Store Modernization Show is held for only one week each year. Between shows no central co-ordinating agency exists where retailers may turn for modernization advice.

The Store Modernization Show is now broadening its scope to include an interim advisory service which will function all year round. The need for such a service is evidenced by the many letters the show headquarters have received from small retailers in both large and small cities, each following the same general pattern: "I have a store,

25x60. My store front is green. I want to modernize. How shall I do it?" This is an actual letter received several months ago. Most letters are more specific, or at least more detailed, but all ask the same question: "How shall I go about modernizing my store?" Initially the advisory service will consist of a directory of all the organizations, manufacturers, architects, and individuals who are active in store modernization either generally or in specialized fields.

A monthly publication on store modernization is also planned, to keep retailers up to date on all developments in the field. This is all part of the long-range planning program of the Store Modernization Show organization, to bring help to those who need it and want it and to stimulate thinking along store-modernization lines.

The Store Modernization Show sponsors an annual architectural college competition, offering prizes for the best design and model of "The Shopping Center of the Future." This competition has proved valuable training to young architects entering this field and will continue to be a major project in the Store Modernization Show program.

Another important national competition sponsored by the Store Modernization Show is for "The Best Modernized Store of the Year." Chambers of commerce of over 3,000 cities and towns in the United States and trade associations are invited to submit their selection of the best modernized store in their respective towns and trades. These are judged each year by an outstanding group of architects, retailers, and civic planners. The holding of local competitions in the cities and towns of the country, which necessarily must precede this national contest, crystallizes local appraisal of their own stores. Rivalry, a natural product of human nature, stimulates the individual merchants to modernize their stores. The winning store in each community receives national recognition and a considerable amount of publicity which, in turn, increases the competitive advantage of the store in its community. The publicity for the stores winning this annual show competition, however, is nation-wide.

"Why all this?"

Our national economy is based, in the final analysis, upon the volume of goods moved over all the retail counters in America. This country is now in a position to produce goods at a level more than double that of 1935–1939. The machinery and plant now in existence must be used to capacity in order to pay for themselves. The resultant greater volume of goods must be moved across all the retail counters or else the entire system of distribution and eventually production will bog down. Thus, the retail stores, which are essentially "sales factories," have a responsibility to the country as a whole as well as to their own communities to maintain the highest level of sales to match the highest level of peacetime production in our history. Mass production requires mass selling, and this cannot be accomplished under the present system of distribution through retail stores in their present outdated condition. The majority of the retail stores today, even though it has been possible for two years to start a modernization program, are still operating in 30- and

40-year-old plants. Retail selling must be streamlined for ease, speed, and the satisfaction of the customer. It is not enough for the retailer to know his merchandise. In addition, he must either be an expert in lighting, layout, customer and employee comfort, color, and design, or know where to get expert advice on all these retailing problems.

Retailers may ask, "If there are so many people willing and ready to help me with my store-modernization problems, why should I learn anything about lighting or fixtures or air conditioning or flooring?" "Why should I attend the Store Modernization Show?" "Why should I read articles on store modernization in my trade magazine?" The answer is simple: When the experts, whether architects, manufacturers, or store-planning advisers, are called in to help a merchant with his store-modernization plans, the merchant is better qualified to approve or disapprove of their ideas if he knows what they are talking about, what the materials they want to use look like, and how they would be utilized. Attendance at the annual Store Modernization Show will assist him in becoming an expert on all these subjects.

What is the future of store modernization? It seems reasonable to expect that in the foreseeable future the economy will operate at levels considerably higher than those of the thirties and that no serious period of readjustment will occur within the next two to three years. Retailers will thus be able to continue their modernization programs over a period of years.

What happens when all stores are modernized? It is difficult to imagine that *all* stores will ever be completely modernized. New developments and techniques are being and will continue to be perfected; new materials, both structural and decorative, invented or fabricated. Greater functional design will permit greater use of space and maximum flexibility within the store. Television and automatic vending are two of the new developments being applied to merchandising that will improve with testing and use over a period of time.

The trend toward block- or community-wide modernization, rather than the modernization of single stores, is gaining acceptance throughout the country. Another recent development is the increase in the decentralization of large department stores. Since additional land in many localities is not available, large department stores are building suburban branches. Groups of these branch stores have been located together to form shopping centers in these decentralized areas. Retailers have found these branch operations to have wide customer appeal and it is expected that the trend will continue.

Store modernization—a continuous and ever-present problem for the retailer of all trades—is primarily responsible for attracting and holding customers, and for maintaining high sales. So long as the retail sales of the country remain at high levels, the productive capacity of the country will be economically utilized. The management of the Store Modernization Show feels that in holding its annual expositions and clinics, in publishing the material presented at the clinics, in sponsoring chamber of commerce and college

*(Continued on page 179)*

# Mexico Invades Retail Frozen-Food Market

MINNIE B. TRACEY

*Associate Professor of Marketing, Drake University*

Proof of appreciation of frozen-food appearance, taste, nutritional, and other quality features is seen in the recent introduction of these products in retail establishments of Mexico City. Moreover, their popularity, in the face of the competition offered by fresh items, bespeaks a keen interest on the part of the small group of purchasers.

Frozen foods are used very little by Mexican institutions—hotels, restaurants, etc.—and not at all by Mexican industries such as jam makers, etc. Likewise, the Mexican retail-food market is primarily a fresh-food market. To understand the competition which frozen items must meet, one must realize that Mexico City is literally covered with markets in which fresh produce is sold. Aside from the well-known San Juan, Merced, Conventio de la Merced, Rodriguez, and Lagunella markets, all of which are several blocks in extent, there are numerous small markets lining the sidewalks of the city. Also, one must mention the single merchants who spread their wares here or there on mats or newspapers.

All of these are dealers in fresh vegetables and fruits. In the markets may be found fresh items which would compete with everything that might be frozen. There are fruits and vegetables produced in a country of such varied climates as scarcely to know a season. There are great quantities of meats, poultry, fish, and baked goods. And this is where Mrs. Mexico shops. Not only is she bound by tradition to make her purchases thus, but if she would change her buying habits she would still be limited by the lack of refrigeration facilities in the purchase of perishables.

Why, then, should there be a market for frozen-food products? The answer lies in the American colony's demand for them. The more or less persistent advertising of these products since 1930 has familiarized the American public with frozen foods to the extent that the American housewife demands, or at least accepts, them in a foreign land.

Perhaps a greater demand factor, however, is American insistence upon sanitation. When Americans go forth from what is perhaps the most germ-conscious country in the world into other lands, they are somewhat unhappy at the prospect of eating foods infested with intestinal parasites and the like. The answer to their problem appears to be packaged goods—and packaged fruits and vegetables are frozen foods.

Frozen foods in Mexico City are distributed to the retail trade through a few delicatessens, fifteen or twenty in number, for Mexico City's population of approximately two million, through the supermarkets, and now through Sears, Roebuck and Company's large retail store. The foods come from three sources—those produced and packed in Mexico, those produced and packed in the United

States, and those produced in the United States, but packed in Mexico.

The list of items first handled by the supermarkets comprised some twenty articles, including chop suey, whip topping, rhubarb, gooseberries, and applesauce. The offerings now, however, have been pretty well reduced to the following: asparagus, peas, lima beans, vegetable salad, diced carrots, cherries, peaches, apricots, fish fillets, and shrimp. If strawberries could be added, the list would not differ greatly from the list of most popular items in the United States. The ever-popular mango is soon to be frozen and packed for these stores also.

Description of frozen-food prices ranges from "fantastic" to "inexpensive," depending upon the point of view. In general, prices are admittedly high, as is true also in the United States. On August 3, 1948, the following were some of the prices in effect:

| *Item* | *Size* | *Price in Pesos* |
|---|---|---|
| Peaches ..... | 1 lb. | 2.15 |
| Bing cherries..... | 14 oz. | 1.95 |
| Raspberries ..... | 1 lb. | 3.50 |
| Asparagus ..... | 12 oz. | 2.75 |
| Lima beans..... | 12 oz. | 2.15 |
| Spinach ..... | 14 oz. | 1.05 |

At this particular time, the peso was definitely unstable, the American dollar no longer commanding just 4.85, but up to 6.80 or even 6.95 at some banks and at some times of day. This fluctuation was making itself felt all over Mexico. Although an attempt was being made to keep down the prices of items purchased by Mexicans, frozen foods could hardly be counted as staples and prices were scheduled for an immediate rise of forty per cent. To the American exchanging dollars for pesos, these prices sound quite reasonable. However, to the Mexican, paid in pesos, one or two or three hundred a month, such prices would appear exorbitant—if he ever saw or heard about frozen foods.

In the supermarkets, which, by the way, are very attractive, are to be found United States-built cabinets, with open tops, well stocked with frozen foods. The items are predominantly of Mexican pack, but several of the best-known United States brands immediately catch the eye. Perhaps half the case is filled with brick ice cream.

While the supermarkets have been handling frozen foods now for approximately a year, this is a new venture for Sears, Roebuck and Company. Here, the frozen-food cases are located in the remodeled candy department which, together with the restaurant, is a concession operated by Mr. Fred Vosberg. Slated to begin operation some time during August, the department offerings are quite pretentious. Aside from the six or seven American best sellers in the fruit and vegetable lines, there are listed the following: pecan pies, coleslaw, chicken, whole and parts, goose, scallops, pigeons, shrimp, turkey, Long Island ducks.

Again, it is the American colony that is expected to furnish the best customers. The Sears store is located close to the Mexico City college and in the heart of the American district.

A look at refrigerator-importation figures will make clear at once the limits of the frozen-food market. Refrigerators, along with other imports, have been cut off since July 1, 1948. But for the first five months of 1948

total Mexican imports of home refrigerators were 285 pieces valued at 202,135 pesos; commercial refrigerators for the same period consisted of 92 pieces, with a value of 236,671 pesos. Needless to say, neither consumer nor distributor is equipped to store frozen foods. Advertising is practically unknown; fresh foods are available for competition at all seasons. Nevertheless, there is a small, neat market for frozen-food products, one which the most alert distributors are making ready to invade.

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**Store-Modernization Movement**

*(Continued from page 176)*

architectural competitions, in offering an advisory service for retailers, and in publishing a magazine on store modernization, it is making a major contribution to the progress of the retailing industry.

# Book Notes

*Introduction to Marketing,* by Paul D. Converse and Fred M. Jones, New York: Prentice-Hall, Inc., 1948, 606 pages. $4.25.

"To combine a treatment of general marketing methods and principles with a more detailed treatment of retailing, particularly the operation of small and medium-size stores" is the stated purpose of the book in its Preface. And that is exactly what the authors accomplish in a clearly written and concise presentation of their material.

While the book provides a general review of the structure and functions of marketing, it places major emphasis on the problems of the smaller retailers. Both the material covered and the sequential manner in which it is organized assist in accomplishing this purpose.

For example, the subjects included in the text, in order of presentation, are the Introduction—a brief study of the general subject of marketing principles and practices; "Wholesale Marketing"—including organizations and commodities; "Retail Marketing"—a complete review of the problems of establishing and operating a small or medium-size retail store; and the "Control of Marketing"—a review of laws governing marketing.

A specific illustration of the manner in which the authors analyze and discuss each of the subjects is to be found in their discussion of "Window Displays." They discuss, in order, the object of window displays—to attract attention and draw people into the store; and arranging window displays, including store policy, the display theme, selection of goods, background and fixtures, price tags, color, balance and symmetry, lines and shapes, clean windows, and changing displays.

This is admittedly a tremendous job to undertake to accomplish in one chapter of twelve pages. Nevertheless they succeed fairly well in their purpose by making the reader aware of the minimum essentials with which he must be familiar about window display if he is to use it successfully in his business. And this is typical of the other chapters of the book.

The book should prove an excellent text for a survey course in small retail-store operation. Too, it should prove valuable to the instructor in distributive education who is faced with the task of organizing a short, intensive course for small and medium-size retail-store owners and managers.

T. Dart Ellsworth

*Scientific Management,* by Frederick Winslow Taylor. New York: Harper and Brothers, 1947, 638 pages. $5.00.

What is scientific management? Frederick Winslow Taylor, often called its father, stated that "in its essence, scientific management involves a complete mental revolution on the part of the workingman engaged in any partciular establishment or industry—a complete mental revolution on the part of these men as to their duties toward their work, toward their fellow men, and toward their employers. And it involves the equally complete mental revolution on the part of those on management's side—the foreman, the superintendent, the owner of the business, the board of directors—a complete mental revolution on their part as to their duties toward their fellow workers in the management, toward their workmen, and toward all of their daily problems. And without this complete mental revolution on both sides scientific management does not exist."

Dr. Taylor never prepared a formal, comprehensive treatise on scientific management. He was in temperament, training, and experience an engineer-executive, a doer. Of the three separate works contained in this volume, *Shop Management* and *Principles of Scientific Management* were prepared for presentation before the American Society of Mechanical Engineers. The third is a report of Dr. Taylor's testimony before the special House Committee in 1912. The latter has never before been made available to the public in book form. As an interpretive evaluation of the systems set forth in the

two earlier classes, it has indispensable value.

Frederick Winslow Taylor, M.E., Sc.D., and past president of the American Society of Engineers, was born in 1856 of a cultured and well-to-do family in Philadelphia. His family desired that he study law and sent him to Phillips-Exeter Academy to prepare for Harvard entrance examinations. Through hard study he led his classes but ruined his eyesight, and his doctors advised against Harvard or any other career involving close study.

After returning home, he began an apprenticeship in 1874 as a pattern-maker in Philadelphia. Within eight years, he progressed through the steps of ordinary labor, timekeeper, machinist, gang boss, foreman, and assistant engineer to chief engineer of the works. Due to improved eyesight, he was able to earn his M.E. degree at Stevens Institute through evening study.

In the course of his day-to-day work, he developed and proved the value of that technique of management which he identified as the task system but which his associates called the Taylor System. Eventually, it became known as Scientific Management. He became a member of the American Society of Mechanical Engineers in 1885. His first paper presented before that group was "A Piece Rate System." Eight years later he presented "Shop Management." Although he prepared the "Principles of Scientific Management" for presentation before this group, it was never presented and he published it at his personal expense in 1910.

Distribution in general, particularly retailing, has not yet made wide use of the principles formulated by Dr. Taylor. The principles, however, have become established in the practices of industry as a total method for increasing over-all production. This production helped us to win World War II. It has made the American standard of living the highest and best in the world. A question, then, is "Can the adaptation of these principles of scientific management to the operation of distributive and retailing establishments accomplish like results?" There can be only one answer, "yes."

A copy of *Scientific Management* should be on the desk of every owner and manager of a distributive or retail organization. If it is not, it should be ordered immediately. When it arrives the executive should place it on his desk for easy reference. Reading it at odd moments during the day will refresh his thinking about the fundamentals of scientific management and make him realize that despite all claims to the contrary "Captains of industry are made, not born," that scientific management can be adapted to the needs of any type of undertaking, that its bases are co-operation and understanding on the part of both management and workers, and that it requires from three to five years for successful installation. If he gets from the volume nothing more than these realizations, then both his time and his money will have been well spent. And should he begin to hope that some man, soon, will do for his trade what Dr. Taylor has done for industry, it should surprise no one, least of all himself.

T. Dart Ellsworth

*Expenses and Profits of Limited Price Variety Stores in 1947*, by Milton P. Brown. Boston: Harvard University Graduate School of Business Administration, 1948. 53 pages. $2.00.

"Sales in limited price variety chains mounted to a new high in 1947, but sharply advancing expenses and retreating margins cut dollar earning below the 1946 level." This is the keynote of the annual Harvard report on limited-price variety stores for the fiscal year of 1947. Although the year showed an increase over 1946 in aggregate sales, the increase amounted to 7 per cent, as compared with an increase of 15 per cent for the year before, suggesting possibly a leveling off in the spectacular gains in dollar sales volume achieved during the last several years.

As is characteristic of other fields of retailing, maintained gross margin dropped from 36.7 per cent in 1946 to 36.4 per cent, whereas total expenses rose from 26.6 per cent to 27.6 per cent. The expense classification showing the sharpest increase was the pay-roll account. Final net profit fell from

7.2 per cent of sales in 1946 to 6.6 per cent in 1947.

This study offers each year a compendium of information on variety retailing. Not only are the combined figures for 37 leading chains shown, but figures are presented for 63 independent nonchain variety firms. A complete breakdown of sales by merchandise lines, by months, by size of firm are shown, and comparable operating figures are given for every year since 1931. Particularly significant is the analysis of the effect of size on operating results.

This year's analysis meets the high standard established by the Bureau of Business Research of the Harvard Graduate School of Business Administration and should be compulsory reading for all retailing executives.

Lawrence C. Lockley

*The Location of Economic Activity*, by Edgar M. Hoover. New York: McGraw-Hill Book Company, Inc., 1948, xv+310 pages. $3.75.

Because of their intense interest in problems of decentralization, both from the standpoint of department-store branching and from the standpoint of chain-store expansion, retail executives should welcome Dr. Hoover's new book, *The Location of Economic Activity*. All too often, retailing locations are selected on the basis of expediency or of superficial analysis and firms are committed, thereafter, to the freezing of capital and of business opportunity in places where the road to development is an uphill road. Dr. Hoover's book is a careful analysis of the economic factors affecting the location of business. The book comprises four main divisions: (1) Locational Preferences and Patterns; (2) Locational Change and Adjustment; (3) Locational Significance of Boundaries; and (4) Locational Objectives and Public Policy.

The study is not about department- or chain-store companies, and nowhere in it are neat formulas given to allow an effortless determination of site selection. Yet it does present a thoroughgoing and basic consideration of such elements as transportation cost, land-use competition, the labor market, the economic structure of communities, improving technology as it influences location, regional economic planning and development, the relationship of public policy to location, locational flexibility, and locational stability and balance.

Dr. Hoover's book is heavy reading. But the difference, in many cases, between successful and unsuccessful decentralization and expansion will depend upon whether the considerations he presents are basic in site selection. Intuition and good luck may combine to select suitable locations. It is, however, a foolish executive who will rely on his luck alone. The objection may be raised that few retailing firms have on their staffs economists capable of pondering and applying the criteria presented in this volume. On the other hand, it may truly be said that no management group has the moral right to immobilize consequential blocks of capital in decentralization or expansion without adequate and informed advice. And in questions of as great social import as those involved in site selection, managements have the obligation to act with the advice of capable and informed business economists.

Lawrence C. Lockley

*Films in Business and Industry*, by Henry Clay Gipson. New York: McGraw-Hill Book Company, Inc., 1947, 291 pages. $4.00.

The businessman who is contemplating the production or sponsorship of a motion or sound slide film will find this book a valuable guide. Although the motion picture is given greater emphasis, sections and chapters devoted to both motion and sound slide films give detailed treatment of considerations in producing either type.

The author, who now heads his own film company, succeeds in passing on to the uninformed the benefit of much of his experience in the industry. He points out clearly the common errors made by business and industry in the production and use of films and suggests ways these errors may be avoided. The mystery surrounding the technical phases of film production, which so often dismays the layman, is cleared up by the straightforward and businesslike manner with which the author treats the subject.

A question bound to be asked by the businessman, sooner or later, in planning the

making of a film is: "How much will it cost?" Although the answer to that question defies standardization, the factors affecting the cost, and the means by which they may be varied, are discussed.

A brief historical review of the industrial and business use of films, several case histories of experiences of national advertisers with their use, and general suggestions for effective uses to which films are now being put give the reader an acquaintance with the field that is beneficial in launching his own program. Suggestions for methods of distribution of films and problems connected with this activity are treated. Also such problems as selection and supervision of the producer, script editing, and photographing and screening of the films (both motion and slide) are considered from the businessman's point of view.

The book is generously illustrated and an Appendix contains lists of film producers and distributors, equipment manufacturers, and catalogue and periodical publishers.

James L. McEwen

*Fundamentals of Selling*, by R. G. Walters and John W. Wingate. Fifth ed.; New York: South-Western Publishing Company, 1948, 618 pages. $2.08.

This book, intended for use as a text in an introductory course in the distributive field, appears in its fifth edition in an improved and modernized form that should make it even more popular than before.

Taking the broad definition of selling, *Fundamentals of Selling* deals with each phase of the subject from its relation to the entire marketing activity. All business activities surrounding the selling function are considered. These include such topics as basic marketing functions, types of selling and selling mediums; channels of distributing consumer goods; basic knowledge needed in selling, such as knowledge of customers, product, and the seller himself; steps in the sales transaction; and special mediums for selling such as advertisements, sales letters, display, telephone selling, and selling by use of radio. The broader issues of promotion policies, service policies, ethics in treating customers and the "consumer movement," and costs of distribution from a social point of view are considered also. A final chapter on "How to Get a Job" makes this a very complete handbook on the subject of selling and all related activities. Many of these topics represent new features with the publishing of this edition.

Of special interest to teachers is the fact that the general plan of the text makes it readily usable as a teacher and student guide. Each section is followed by helpful supplemental aids such as "Questions on the Text," "Questions for Discussion," "Problems and Projects," a vocabulary, and a "Continuing Merchandise Study," all of which add to the general practicability of the book.

In the words of the authors, "Selling is primarily a rendering of service to the customer. This is the present-day concept, and this is the thesis upon which this volume (the fifth) is based."

Although many of the problems and illustrations have to do with the retail selling situation, wholesale and specialty salesmen and distributors of any kind of commodity or service will find this is a helpful source of information on selling fundamentals.

James L. McEwen

*The Use of Training Films in Department and Specialty Stores*, by Harry M. Hague. Boston: Harvard University Graduate School of Business Administration, 1948, 147 pages. $1.50.

For the department or specialty store wishing to avail itself of the experience of other stores in the use of films in employee training, this survey stands at the top of the required reading list. Based on the experience of 127 department and specialty stores with annual sales volumes of over $5,000,000, the study reports the present extent to which the reporting stores use this type of training aid as well as discussing and explaining the specific purposes for which it is used by them.

Dealing particularly with the motion picture and the sound slide film, the report presents the relative advantages and disadvantages in the use and adaptation of

these two mediums for training as applied to retail stores as well as the problems stores have met in their procurement.

The impetus which recent war successes with their use gave to audio-visual aids in training has carried the medium to a position of great prominence in the space of two or three years. Films are being produced by business and industry at a confusing rate. As Mr. Hague so rightly states, "Practically every film used in retail stores is produced by a different sponsor or producer. Almost nothing has been done to coordinate their efforts. The development of retail training programs has passed the stage where it should continue with no direction. Since stores stand to benefit the most from the effective use of retail training films, they should furnish the direction."

If it can be assumed that training films are effective for retail training, an assumption not conclusively proved by this survey, there still remain to be solved the tremendous problems of procurement and utilization. Many of the limitations and difficulties reported by some retail trainers now attempting to use films in their training programs can be traced directly or indirectly to the difficulties of procurement. The mechanical obstacles are uppermost here. Not only does the store person responsible for film procurement, if indeed the store has one, have to learn of the existence of the film, but he must proceed then to find out where it may be obtained, obtain a print for preview, or find some other means of evaluating it, and finally schedule and adapt its use to fit into the store's general training program. This procedure has been the source of discouragement for many otherwise enthusiastic users of training films.

Mr. Hague's survey offers many helpful suggestions how these problems may be minimized, discusses at length the films that have proved most successful for the reporting stores, and lists, in one of the three appendixes, a very complete and informative bibliography of films now in use by these stores and the sources from which they may be obtained.

The small store with a limited budget will be especially interested in the fact that a large number of the sources mentioned, and others not considered, are glad to furnish films at no cost to the store.

James L. McEwen

# Our Contributors

*William J. Pilat* started his business life on Macy's Executive Training Squad in 1925 immediately after graduating from Lehigh University. For eight years he held executive management, merchandising, and advertising positions in Macy's and Gimbel's. Later he was a professor of retailing and in charge of the retail research activities of the Research Bureau for Retail Training, part of the Graduate School at the University of Pittsburgh.

During the last war he spent two years overseas, both in the European and Far Eastern theaters, as a consultant to the Army Air Forces on scientific matters affecting strategic bombing.

Starting with his first experience in Macy's Planning Department, he became primarily interested in finding better ways to perform any function of retailing. Early in his career he met Mr. Allen, a well-known industrial engineer, who had been working with Frank Gilbreth to improve methods in industry. He joined Mr. Allen in Europe and for a while in 1928 in the application of principles of scientific management to industry and retailing, and again worked with Mr. Allen when the latter returned to this country to establish the present business. The Russell W. Allen Co., Inc., which Mr. Pilat now heads is today a completely independent organization specializing in the application of industrial-engineering techniques to problems of retailing.

*Lawrence C. Lockley* is professor of retailing and director of research, School of Retailing, New York University.

*Phil Harris* has been in retailing since 1924 when he was employed by I. Miller & Sons as a stock boy. When he left that organization in 1929 to join Grayson-Robinson Stores, Inc., he was advertising manager and assistant to the sales manager. Today, after having risen through the ranks, Mr. Harris is a director and treasurer of the company he joined in 1929, and president and treasurer of S. Klein on The Square, Inc.

*Harry S. Mayer* was born in Philadelphia, Pennsylvania, but later moved to New York where he was graduated from a New York grammar school and the High School of Commerce. He then attended the Wharton School of the University of Pennsylvania and later took postgraduate courses at New York University Graduate School of Business Administration. He started his business career as a broker's assistant here in New York. After the Wall Street crash, Mr. Mayer entered the apparel field and later became a traveling representative for a coat concern.

For the past eleven years, Mr. Mayer has been associated with Simon Cohen & Co., Inc., one of the largest coat and suit manufacturers in the country. Six years ago he was appointed executive vice-president in charge of administration and sales. Throughout his years of experience, Mr. Mayer has traveled the United States extensively and has fully acquired a complete knowledge of the

problems facing the manufacturer and the retailer.

*Thomas W. Black* is research manager for *The New York Sun*. His early work was in circulation in a number of newspapers throughout the country. In 1931, he came to the *New York Evening Journal* to work in research and promotion, and was assistant manager of research for the *Journal-American*. He came to *The Sun* from the *Journal-American* in 1943.

*Clinton Smullyan* is vice-president in charge of sales of the Phillips-Jones Corporation. During the war, he served with the Navy as a Lieutenant Commander, first as executive secretary of the Navy Renegotiation Board, and later as assistant to the chief of procurement in the Office of Procurement and Material. His college training was at the University of Pennsylvania.

*Charles Hollatz,* a graduate of the University of Wisconsin, has long been connected with the merchandising of women's wear. For eight years he was merchandise manager of Holeproof Hosiery and Luxite Silk Products. Another five years were spent as operating vice-president of the Arthur Womrath Chain, where he organized a central replenishing plan for books, novelties, and stationery. He served on the faculty of Antioch College as assistant to the president, and was on the merchandising staff of Booz, Fry, Allen and Hamilton, management engineers. For the past ten years, he has been with Montgomery Ward, currently in charge of merchandising two of their fashion divisions.

*John W. H. Evans* received his college training in the School of Architecture at Carnegie Institute of Technology, but immediately engaged in advertising work. For a number of years he was on the advertising staff of *Architectural Forum,* and subsequently worked as an account executive for two advertising agencies. In 1946, he laid the groundwork for the International Store Modernization Show and the accompanying clinics, of which he is now managing director. Mr. Evans is also the editor and publisher of the *Annual Store Modernization Clinics and Forums,* an illustrated book reporting the proceedings at the Show clinics. He is a member of the Architectural League, New York.

*Minnie B. Tracey* joined the marketing department of Drake University as associate professor of marketing in the fall of 1948 after receiving her doctorate at Ohio State University, with a thesis on the frozen-food industry. For a number of years prior to her joining Drake University, she was a member of the faculty of Wittenberg College.

# JOURNAL OF RETAILING

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